

A new monthly credit study

Turn to

BUSINESS ADMINISTRATION

LIBRARY



CREDIT

FINANCIAL MANAGEMENT

DECEMBER, 1935

"---it would seem that your organization is one that does not follow the line of least resistance---in other words, reports are not rendered from the desk, but by actual field work."

"The inspector who made the investigation is to be commended on the thorough and efficient manner in which the assignment was handled."

SPECIFY
HOOPER-HOLMES
REPORTS

"We are writing to commend the Bureau upon this supplementary service and to congratulate it upon the efficiency and dispatch which is evidenced in this complete service."

"A very clean mental picture of the entire situation has thus become available to me, and the report means more to me than I can tell you."

"It is particularly gratifying when I can say that this is the first time that I have ever written any organization and complimented them on the service given."

THE HOOPER-HOLMES BUREAU, INC.

102 MAIDEN LANE, NEW YORK

Automatic Revision Service

An Executive Credit Service Designed For and By Credit Executives

Automatic Revision Service is a recent Credit Interchange innovation designed to assist the credit executive in maintaining a close follow up on certain important accounts by giving him strictly up-to-the-minute reports at specified intervals which he, himself, designates.

Do not confuse Automatic Revision Service with Reciprocal Service in its various phases. Automatic Revision Service, while automatic, is predicated on the initiative of the user, himself. Reciprocal Service is predicated on the initiative of other creditors or the credit service organization.

The user of Automatic Revision Service designates the customers on whom he desires the Service, the dates on which he is to receive completely revised, up-to-date information on those customers, and he receives and pays for only those reports he specifically requests.

If for any reason, such as the discontinuance of an account, Automatic Revision Service is no longer desired, the Service ceases. There is no unprofitable work and expense.

There are no delays. Automatic Revision Service is maintained on the same schedule as individual reports.

There is no averaging of costs. If a member desires one report annually on one account, and four reports annually on another, he is charged for one report in one instance and four reports in the other. At the present low cost of Credit Interchange, this makes Automatic Revision Service extremely economical.

Automatic Revision Service is being used on both slow accounts and desirable customers. The user schedules reports on a three months, four months, or six months basis as the nature and type of risk require.

Every report is a completely new report. No old fact or information is carried over from one report to another.

If you are interested in this latest, most practical method of maintaining a definite, continuous contact with particularly important accounts, call your local Credit Interchange Bureau. They will be glad to supply you with complete, detailed information.

CREDIT INTERCHANGE BUREAUS
National Association of Credit Men

When writing to advertisers please mention Credit & Financial Management



Contents for DECEMBER, 1935

Needed: A Credit Man..... <i>An editorial</i>	HENRY H. HEIMANN	3
The Bank Act of 1935.....	H. D. DIEKELMAN	4
Commodity prices and government policies.....	MELVIN T. COPELAND	6
Let's get going!.....	EDWARD S. HORWITZ	8
Credit systems and methods.....	J. J. KILLACKY	9
Capitalism's future.....	BENJAMIN COLBY	11
"The practice of law".....	HENRY H. HEIMANN	12
Accounting for judgments.....	J. B. GRIBBLE	15
Old-age and employment accounting.....	H. C. RAYMOND	16
Inflation and the credit executive.....	J. N. JONES	17
All's (rather) quiet along the Potomac.....	C. F. BALDWIN	18
Introducing: A new monthly credit study.....	E. L. LLOYD	20
Letters of a credit man.....	CHAS. G. COBB	22
This month's collection letter.....	HELEN MUTNICK	24
The business thermometer.....		26
Collection—sales survey.....		28
Notes About Credit Matters.....		31
Zebraffairs.....		36
Paging the new books.....		38
Insurance digest.....		40
In the modern office.....		42
Credit questions and answers.....	E. B. MORAN	44
Court decisions.....		46

Cover photograph from GENDREAU

CREDIT and FINANCIAL MANAGEMENT

Published by the NATIONAL ASSOCIATION OF CREDIT MEN

Est. 1898

One Park Avenue, New York, N. Y.

1309 Noble Street, Philadelphia, Pa.

Vol. 37

Richard G. Tobin

Paul Haase

Clifford T. Rogers

Number 12

Editor and Manager

Associate Editor

Advertising Manager

Published on the 5th of each month by the National Association of Credit Men, 1309 Noble Street, Philadelphia, Pennsylvania. Entered as second class matter December 22, 1933, at the Post Office at Philadelphia, Pa., under the Act of March 3, 1879. Subscription price, \$3.00 per year, 25c per copy, Canada \$3.50; all other countries \$4.00 postpaid. Copyright, 1935 National Association of Credit Men. The National Association of Credit Men is responsible only for official Association Statements and announcements printed herein.

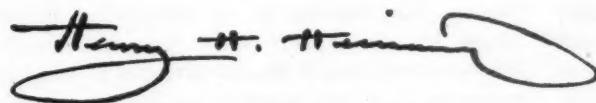
Needed: A Credit Man

ON The soundness of the current recovery and the maintenance of a stable prosperity in the years ahead will depend more upon the credit policies of the nation's business and banking units than upon any other factor. Under the new Banking Act the Federal Reserve Board is charged, even more than previously, with the direction and control of the nation's credit. The present staggering amount of excess bank reserves exceeds three billions of dollars and, being five times as high as the increase in reserves in '28 and '29 which developed our tremendously inflated stock market boom, indicates the potential dangers in this vast sum.

It should be generally accepted that the handling of these reserves can make or break the nation. If the brakes of credit control had been applied in time in the past decade we might have been spared much of the economic travail we have had in the last six years. Common sense, supplemented by the hardships of the years 1929-35, warns us that a few years of unrestricted and exaggerated expansion do not bring enough prosperity to balance the hardships that must and do follow.

It therefore becomes of tremendous importance to know that the members of the Federal Reserve Board will be chosen upon a purely non-partisan basis, primarily for their capacity and their courage. At no time was courage more necessary in the Federal Reserve Board membership. It isn't easy to do the unpopular thing. And it will become necessary for the Federal Reserve Board to make many unpopular—but sound—moves in the course of the next few years.

Since the Federal Reserve Board is charged with this responsibility over credit, it is only logical to recommend to the President of the United States that, in making his selections for the Board, at least one member should be a man of practical experience in the field of commercial credit. This organization recognizes that the appointment of a practical, clear-headed, two-fisted credit man to membership on the Federal Reserve Board would re-assure the twenty thousand credit executives throughout the United States that credit inflation would not get out of hand.



Executive Manager, N.A.C.M.

Commercial credit and the Bank Act of 1935

by H. G. DIEKELMAN, Cashier,
Horicon State Bank, Horicon, Wis.

CTo approach my subject properly, the history of American banking ought to be discussed in order that the various influences which finally led to the passage of the Banking Act of 1935 be made clear. Time does not permit this discussion. I feel that many of you are familiar with many of the reasons and therefore I shall endeavor to present my subject as of the present. Evolution in banking transcended upon us through the changing economic, social and political conditions. It was generally conceded by the straight thinking banker that some changes were necessary in our banking laws after the debacle in 1933. These bankers were willing to assist in the formulation of such laws as would meet the changed conditions.

There was much delay in enacting into law the Bank Act of 1935 because of the conflicting economic thought and clashing personalities. The original administration bill was revolutionary not evolutionary. The Glass sub-committee finally rewrote the entire bill, and through committee conferences a bill, that several months previous seemed impossible, seemed to mould itself into form and was finally passed by both houses of Congress and signed by the President.

Although the Bank Act of 1935 is not in every sense acceptable and does not create an ideal banking system, it is however viewed as a step forward in constructive banking legislation and only its operation can reflect whether it will meet the situation. There are several features which I desire to discuss rather fully.

Title I

Title I as finally enacted is for the



most part acceptable to all banks because it is a practical plan of operation for the Federal Deposit Insurance Corporation. Placing a ceiling upon the assessment against banks was an accomplishment and the rate of one-twelfth of one per cent of all deposits appears as low as possible for the proper protection of the fund. While this provision imposes a burden upon the larger city banks, because a comparatively small proportion of their deposits are insured, the bigger banks have accepted this provision with good grace. The acceptance of this provision by the bigger banks was no doubt a compromise because there is a provision by which member banks can withdraw from the Federal Reserve System upon ninety days' notice. It, therefore, behooves the management in

the smaller banks to be conservative in their policy in order that the financial contribution of the bigger banks can be retained. The F. D. I. C. is now a permanent institution and each depositor's funds are insured up to \$5,000.

The compulsory membership in the Federal Reserve System was also modified. Postponement has been made until 1942 and then only non-member banks with \$1,000,000 or more in deposits must automatically come into the Federal Reserve System or forfeit their insurance. Thus it will be seen that the unification of the banking system has been postponed. Whether such postponement is merely a gesture remains to be seen. The independent bank has been and still is the backbone of this nation from the standpoint of local improvement and individual credit based upon moral credit risk, and should be maintained, because it reflects the true American ideal in banking.

Title II

Title II, although most of its provisions do not become operative until 1936, is far reaching and contains numerous changes in the administration of the Federal Reserve System and commercial credit.

An entirely new board consisting of seven members, known as the Board of Governors of the Federal Reserve System, is to be appointed at that time. This board is clothed with vast powers. Bankers, as well as business men, will await with great eagerness the appointees by the president. The geographic restriction as contained in the existing law is retained, also, the president in making his appointments shall have "due regard to a fair representation of the financial, agricultural and commercial interests." A strenuous effort was

made to have such appointments selected from the major political parties, but this provision was voided and it therefore affords the president the privilege of selecting whomever he chooses from his own political party. These appointments will be made for a period of 14 years, however in the appointment of the new board, the terms will be 2-4-6-8-10-12 and 14 years.

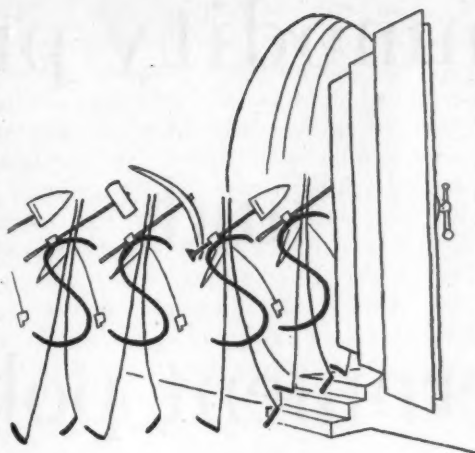
Thus the foundation for a Supreme Court of Finance has been laid, powerful, independent and charged with tremendous responsibilities. There rests upon the president the grave task of selecting these men. Irrespective of political affiliations, it seems that men capable and qualified to perform these functions would not surrender their positions to become a public servant for the salary of \$15,000 per year. It is expected that these men shall be removed from political thought, influence and dictation. It shall be their duty to act at all times in accordance with the needs of the country. The future stability of this nation rests directly upon their shoulders. This is a tremendous assignment.

The personnel of the twelve Federal Reserve banks will also undergo a change on March 1, 1936. The office of governor is eliminated and thereafter the respective boards of the 12 banks will select as their chief executive a president, whose term is fixed at five years but who must have the approval of the Board of Governors of the Federal Reserve System. The first vice president is similarly chosen. The office of the Federal Reserve Agent in each bank is retained.

Perhaps the most controversial of all the provisions of Title II was the question of how the Open Market Committee was to be constituted and what were to be its powers. Sharp differences of opinion prevailed and after numerous conferences a solution was arrived at. This committee as finally constituted is as follows: Seven members of the new Board of Governors of the Federal Reserve System and five representatives of the Federal Reserve banks chosen annually from each of the following groups,

- 1 Boston and New York
- 2 Philadelphia and Cleveland
- 3 Chicago and St. Louis
- 4 Richmond, Dallas and Atlanta
- 5 Minneapolis, Kansas City and San Francisco

Meetings of this committee will be held in Washington at least four times each year, or oftener on call of the Chairman of the Board of Governors



Will the new legislation put bank credit back to work?

or at the request of any three members.

Hereafter no Federal Reserve bank may engage in or decline to engage in open market relations except under the direction of the committee. The previous provision that the operations of the Open Market Committee "shall be governed with the view to accommodating commerce and business, and with due regard to their bearing upon the general credit situation of the country" remains unchanged. In order that the Secretary of the Treasury may not use the Federal Reserve banks as a dumping ground for U. S. securities an additional safeguard is provided which permits the purchase of government obligations as well as those guaranteed by the government, only in the open market and not direct from the Treasury. It would seem therefore that with the strong representation of the Federal Reserve banks, except on rare occasions, a matter of policy should be almost unanimous.

Furthermore a brake or safeguard against discriminatory or ill advised action is well provided for, in that all action taken by the Federal Open Market Committee on matters of policy be recorded and the vote of each member recorded and the reasons for such action. There is also a further requirement that all of these records must be included in the Board's annual report to congress.

While the Board of Governors will share its authority with the representatives of the Federal Reserve banks with regard to open market relations, it will possess sole authority in designating reserve requirements for member banks and the fixing of rediscount rates. The

reserve requirements cannot however be increased over 100% of the rate required by statute. Thus it can be seen that the Board of Governors is vested with great powers in an effort to control credit and check inflation. Can this be accomplished, is the question? Can and will the men who constitute the Board have the wisdom and courage to act at the right time and in the right way, if their judgment runs counter to popular demand, remains a debatable question? Let us not cross the bridge until we reach it.

The events of the past five years have been a real awakening to the banker and they have caused him to be ultra conservative in his lending policy. The bankers have been seeking short term commercial loans from seasonable borrowers, but such class of loans have been very scarce. For the most part, the borrower in normal times has had sufficient cash to carry on his business thus far. The theory that liberal credit by banks will stimulate business is fallacious. Business must first expand and then bank credit will follow. It is the purpose of the Bank Act of 1935 to release credit by liberalizing the purposes for which credit could be used. Eligible paper for rediscount with the Federal Reserve banks, that is for short time paper, remains the same. There is however to be prescribed by rules and regulations of the Federal Reserve banks a class of paper that will be usable for rediscount purposes for a four months period. This type of paper to carry a $\frac{1}{2}$ of 1% higher rate than eligible paper.

In this connection special attention is given to real estate loans. Permission is given member banks to make real estate loans on a five year basis at 50% of the appraised value or 10 year loans up to 60% of the appraised value provided at least 40% is amortized before maturity. The aggregate of such loans is not to exceed the capital and surplus of the lending bank, or 60% of its savings and time deposits, whichever is greater. There will be an incentive for many banks to make this type of loan because if conditions make it necessary to borrow funds, these mortgage loans can be used as collateral with the Federal Reserve bank.

Some bankers view this provision with misgiving because an emergency may arise again when immediate funds will be necessary and with this collateral privilege (Continued on page 48)

Commodity prices and government policies

by MELVIN T. COPELAND, Professor of Marketing,
Harvard Graduate School of Business Administration

C At last we seem to be well on our way out of the depression. It requires no unusual clairvoyance to foresee substantially greater business activity in 1936 than in 1935. Unfortunately, however, that does not mean that all our problems are solved. On the contrary, we still face tough questions, not the least of which is the price situation.

The cost of living in the United States of America has been rising during the last year. Nevertheless, the advance which has taken place to date is mild in comparison to that which probably will come during the next several years. For business men this means higher expenses, greater inventories, the need for larger working capital, and the perplexities of continued political agitation.

The reasons for expecting a rise in prices are: (1) a natural rebound from the depths of the depression; (2) artificial shortages created by restrictive actions; and (3) currency and credit policies of the United States Government. I shall not stop here to discuss the natural upsurge of prices that had dropped through rock bottom or the effects of artificial restrictions on production. Nor shall I attempt to discuss processing taxes, import duties, N.R.A. codes and various other topics that have filled so many pages of the Congressional Record and occasioned so many news releases by governmental press agents during the last two years. The currency and credit



policies of our government are the focal point in the price situation.

The stage is set for a rise in the cost of living and in commodity prices generally that will surpass that of the War years. The devaluation of the dollar has provided a nominally larger gold base. On this base credit can be greatly expanded by means of bank loans. The government is purchasing large amounts of silver. Since most people dislike to carry "cartwheels" in their pockets, paper money is being put out against this silver. Potentially, however, the most serious threat to our cost of living comes from the government debt. This debt is represented

by bonds, and these bonds have been taken largely by the banks. Presently many of these bonds probably will serve as the "security" for the issuance of Federal Reserve bank notes. Many persons have viewed with complacency the tinkering with our currency so long as a new issue of "greenbacks" was not started. As a matter of fact, however, with an unbalanced budget, there is little essential difference between the government's printing "greenbacks" and its issuing bonds against which paper bank notes can be put in circulation.

So long as the government is spending more than its income, it obviously must continue to borrow and to cover its borrowings by bonds that in effect can be converted into bank credit or paper money. Hence no end to the rise in the cost of living is in sight while the government expenditures exceed its revenues.

Most of these currency and credit measures have not yet had much effect on prices. As the business revival, caused by other factors, gains more headway, however, we may expect to see prices advance at a faster and faster rate. As business becomes brisker, many firms, for example, are going to find themselves short of working capital to finance larger pay rolls and heavier inventories. They probably will borrow from the banks. Then the credit will begin to work. As prices and wages rise, still more working capital will be needed, hence more bank loans. That process will be repeated over and over again, until another

bubble bursts. My illustration may oversimplify the process by which credit and prices will be inflated, but from the present outlook the net result will be the same, whatever the details of the process. The government, moreover, has been vigorously encouraging the public at large to borrow on credit and such borrowings may accelerate the overexpansion.

Two questions which deeply affect the welfare of the American people are: (1) Can the price situation be kept from getting out of hand? (2) Will it be kept from getting out of hand?

In answer to the first question, it is not too late to check the powerful inflationary forces that have been unleashed. Since the country cannot well stand a heavy increase in revenue-producing taxes, the first essential step would be an immediate tapering of government expenditures so that those expenditures could be brought in line with government revenues in the near future. The second step would be to make sure that credit expansion is checked before it nears the danger zone. If we wait until the price advance is in full swing, it will be too late. The brakes will work slowly in checking the upswing, even if they are applied courageously. When prices finally are soaring, high cost of living commissions, anti-profiteering campaigns, and the other superficial attacks on the problem that always come in the later stages of such a price surge will have little effect. Action is needed now, not several years hence.

Will such action be taken? I fear not.

The responsibility for this price situation rests squarely upon the shoulders of one man, President Roosevelt. Our genial, big-hearted President certainly has no desire to be the cause for all the human misery that will result from the threatened rise in the cost of living, but he seems willing to gamble on that in order to carry out his schemes for remolding American social life.

The responsibility of the President for this price situation is easily demonstrated. In April, 1933, despite his extraordinary popularity, he accepted without protest the unsound Thomas Amendment to the Agricultural Act, which provided for the purchase of silver and potentially for changing the value of the dollar. Subsequently he approved, for purely political reasons, even more dangerous silver legislation.

In July, 1933, he upset the London Economic Conference, which he had previously encouraged, by announcing that this country would not enter into international stabilization plans but would try out a flexible dollar scheme. In October, 1933, he announced devaluation. His right hand men have put through changes in the banking laws that were not to the liking of such a monetary and banking master as Senator Glass. The President sponsored the NRA, which increased costs and prices, and the AAA which is still in operation. Finally, at the President's insistence, those enormous appropriations have been voted by Congress, which have so desperately unbalanced the Federal Budget.

Under these circumstances, the answer to the question as to whether the price situation will be kept in hand now rests with President Roosevelt. Our conclusions as to how the problem will be handled can be inferred from the manner in which other situations have been dealt with during the last two years. Soon after he was inaugurated, Mr. Roosevelt stated that he proposed to try various experiments, that some of them might not work, and that he would promptly admit the mistake when any failed to succeed. For some time it has been apparent that various schemes sponsored by the President were not working, yet there has been no admission of the mistakes. Political expediency has ruled.

In 1933 the New Securities Act was passed, at the President's initiative, to prevent deception in the issuance and sale of securities by private corporations. Nevertheless in October, 1933, the government itself issued bonds which it promised to redeem in gold dollars of the standard weight and fineness and a few days later the President repudiated that promise by devaluing the dollar. The executive of a private corporation would have suffered a heavy penalty for such action.

Many of the schemes promulgated by the President involve large questions of principle on which there may be honest differences of opinion and which are worthy of thorough debate in a truly democratic country. Nevertheless all counter arguments in Congress have been "steam rolled" by the President's money power and outside critics have been squelched by sarcasm, innuendo, and accusations of selfish motives.

Numerous other practices of the Administration could be cited, but enough have been mentioned to show the trend, and I have no intention of making a political speech. I hold no brief for either political party. So far as the price situation is concerned, the danger of a drastic rise in the cost of living can be averted only by an about-face which the President apparently has not the slightest intention of making and which obviously would be politically inexpedient, even for the most artful politician.

It is to be recognized, of course, that recently Secretary Morgenthau has been talking about plans for reducing government expenses. If carried through and not offset by new extravagances elsewhere, this would be a hopeful sign. However, Mr. Douglas and others who have made gestures for governmental economy during the last two years have had to walk the plank. The record of the Administration does not inspire confidence that Secretary Morgenthau will succeed where others have failed. For the next several years, therefore, we may expect active business, which presently will become more and more feverish and unhealthy.

One of the pretexts for many of the social innovations inaugurated by President Roosevelt is to provide social security and prevent a recurrence of the suffering of the last six years. That certainly is a worthy objective. In 1917-18, however, we were spurred on to make sacrifices for winning the World War on the theory that that war would end war. We now recognize our delusion. The Roosevelt program for ending depressions unfortunately will suffer the same fate.

The Roosevelt program, moreover, is unleashing forces which will bring about a repetition of the very disaster that they are now trying to cure. An overexpansion of credit and currency will lead, some years hence, to another price collapse and economic crisis. One of the chief reasons for the severity of the current depression has been the existence of such large debts, owed by farmers, home owners, industrial corporations, railroads, municipalities, states, and foreign governments. These debts were the chief influence leading to the devaluation of the dollar and the demands for cheap money. Yet here we are piling up another huge debt, which may be (Continued on p. 29)

Let's get going!

by EDWARD S. HORWITZ, Credit Manager,

Chas. Meis Shoe Co., Cincinnati, Ohio

C For years since that fateful "Black Friday" of October, 1929, when fortunes came tumbling like a house of cards, and the tick-tock of the stock ticker sounded like the crack of doom, government, industry, business and labor have been standing at the crossroads scratching their heads in perplexity as to what would happen next and wondering whether prosperity was really around the corner, and if so, which corner, and speculating as to which fork of the road to take.

These four factors were not only dubious as to the future, but suspicious of each other. This situation was improved but little, if any, when the so-called "New Deal" came into power under most inauspicious circumstances. The situation was still one not only of suspicion, but of dark, unreasoning fear. Immediately, however, that period of inaction and aimless drifting was ended by one of the factors, namely, government. The program called for immediate, decisive and drastic action, and the call was not in vain. Laws were passed and Bureaus were created until the possible combinations of our alphabet were threatened with exhaustion.

Most of this legislation was from its very nature and from the unprecedented conditions which necessitated it, largely experimental. Much of it was beneficial, a good deal of it useless, and some of it harmful. Taken as a unit, and by the law of averages, it did more good than harm by giving industry, business and labor a definite program, bringing indecision to an end, and creating a definite outlet for energies hitherto paralyzed.

Conditions have improved, and are still improving. Of this there can be no question. If you are a proponent of the "New Deal," you will give the government credit for this result. If you are opposed to the administration, you will credit it to the natural forces

of recovery, and to the Supreme Court's decision in overthrowing the NRA and removing from business the spectre of government domination.

It will be the writer's task to analyze this situation, to give credit where credit is due, to tell you where we stand today, and how to climb out of this depression, a seemingly huge task, an apparent nightmare to a distorted imagination, yet easily capable of solution by the standards of calm sanity and clear vision.

From the viewpoint of impartiality, it would be equally unfair to entirely credit the recovery which has unmistakably set in, to the claims of either the proponents or opponents of the "New Deal." Government has undertaken to regulate business, and one of its cardinal efforts was to raise prices so as to increase wages and purchasing power. Opponents argue that simply because prices were high when times were good, it does not follow that increasing prices will bring back good times.

I am sure that the administration is not so simple-minded. It knows, and we all know, that booms and depressions cannot be controlled by legislative fiat. The purpose in raising prices was to increase wages, employment and consequent purchasing power. The effort was partially successful, but I do not believe the theory to be sound. It is just as possible to raise prices without a corresponding increase in the benefits sought as a result.

Now as to the opponents' claims that whatever improvement has taken place can be credited to the natural forces of recovery. Is there any particular length of time that a depression must run, like a disease for instance, until it wears itself out? I think not. Again, can we set the alarm for any definite time and terminate the depression at such a fixed time by legislative command? Surely not.

What effect then did government regulation of business accomplish, and what could it reasonably hope to accomplish along recovery lines? It could, and did provide a set-up for conducting most industries on sound economic lines, by eliminating unsound and unfair business practices which had hitherto caused considerable waste and loss, and disposing of cut-throat competition. It was then up to Industry to take up the threads and co-operate.

The government could not legislate recovery. It could and did provide ways and means to bring it about by proper co-operation, but through its zeal it went too far in its program of business control and antagonized organized business. This was ended by the decision of the Supreme Court declaring the National Recovery Act unconstitutional. I think the decision was a just and wise one. It eliminated the threatened continued encroachment of government on business, yet disturbed the benefits already gained, little if any. Practically all industries continued under voluntary codes, and so far as chiselling is concerned, we had it under the NRA too. Hence this decision as well as the original National Recovery Act is entitled to a share of the credit for improving business.

The claim that the improvement is due to natural forces of recovery is not fair and does not take into consideration all of that almost super-human effort which has been put forth by the administration in combating this depression, and the results gained thereby. It would be difficult to enumerate all the natural forces, and even if we did they would still all be subject to human influences which could shorten or lengthen the depression. Hence it is on these influences that we must exert our efforts in order to hasten recovery, and it can be done.

Now then, where do we stand today, and what must we do to end this period of deflation? Here is the answer.

1. Government regulation of business and the establishment of codes has as a general rule increased prices, wages, and employment, and provided a favorable and satisfactory machinery for the continuation of voluntary codes calling for standardized trade practices and the elimination of trade abuses and cut-throat competition.

2. The Supreme Court's decision invalidating the NRA (Cont. on page 38)

Credit systems and methods

by J. J. KILLACKY, Credit Manager, John Sexton & Co., Chicago, Ill.

THE The Credit Systems and Methods Committee of The Chicago Association of Credit Men when appointed for the year 1934 realized that, as a consequence of the conditions which affected business during the several years prior, not only had there been slight opportunity for review of credit methods and procedure by Credit Executives but there also had been a considerable change in credit department personnel.

This committee had not been active in recent years. Therefore, first of all, it was necessary to determine a course of procedure. The decision arrived at was, that to be of the greatest benefit to our membership, we should try to help that particular credit man who was associated with a smaller business, and possibly did not have the opportunity or time to make the contacts that are found to be so beneficial by those in a position to attend credit group meetings.

Therefore, we started out on the premise that this particular fellow might not be devoting his entire time to credit, but might be a bookkeeper, office manager, treasurer, partner or principal of his firm. If this particular person's duties were not entirely devoted to credit acceptance and collection, he might not find time from his other duties to post himself thoroughly on credit methods, systems and procedure as easily as an individual whose entire duties consisted of credit and collection work.

It was realized also that when this individual was devoting his time to the acceptance of credit he might have his available time used up by reason of not having access to credit systems methods and procedure, which might be most adaptable to his business.

Then we had to consider how we would go about helping him. We felt that if we helped him we would in the course of our work also help more fully staffed credit departments. The suggestion of the writer was embarked upon as the course of our discussion,

studies and compilation. This was that we follow the ordinary commercial business transaction from the time a sale is first in contemplation, through all its stages until the transaction is completed.

As we have about 1200 members

Outlined

herein is the plan of Chicago's Credit Operations Clinic. In later issues we will report ideas developed at these Credit Clinic sessions. This plan, developed by the Chicago A. C. M., should produce important research results in the matter of credit systems and methods.

embracing all line of commercial activity our thoughts this year were directed to a breakdown of the membership into five general divisions. Each division consists of kindred or allied industries. For convenience sake we have termed the groups:

- "Service
- "Hardware Machinery, Automotives and Petroleum"
- "Furnishings, Textile and Apparel"
- "Foods and allied lines"
- "Building and Raw Materials"

A Study Committee has been appointed for each group. Each group will follow a uniform procedure, but by reason of the grouping will be talking a more or less "common language" because of the problems of the various industries in each group being kindred. Then at the monthly Forums the summary and findings of each group are brought out. This gives all the benefit of the salient point findings of unrelated lines.

In view of the fact that the great majority of sales are made through salesmen we decided to treat the com-

mercial transaction from that aspect.

When a salesman is sent out on a territory to represent his firm we felt and knew that there are firms which instructed their salesmen not only verbally, but through the use of letter, memorandums, booklets and comprehensive manuals with respect to credit procedure in its relation to sales. We thereupon set out to bring together these different lines of thought and facts bearing on the particular subject which we term "Salesmans Credit Manual." Even though businesses might be somewhat unrelated it was our opinion we might find in these various credit manuals salient points and features that could be brought to the attention of our membership, and if practicable, compiled into one or more "approved" manuals as might seem advisable. This procedure brings out not only current practices, but in addition the suggested better or best practices.

After the salesman has been given his instructions and sent out upon his territory he is brought face to face with the customer. In soliciting and securing business for his firm, while we realize he is not a trained credit man, still in order to do a thorough selling job, he should be in a position to approach the matter of credit accommodation arrangements with a business-like instead of a personal viewpoint. This he would be in a much better position to do through the assistance of a Credit Manual.

It is necessary in most cases that the salesman secure for his house prior to, or at the time of selling an order, such information as is essential to the prompt acceptance of the business by his firm. The credit department in turn has a selling job; that of selling the salesman on the realization of the fact that a sale of itself is of no avail and of no profit to his house until such time as it is completed by the collection of the account. The collection should, of course, be made at such time as will



Gendreau

still show his house a profit on the transaction. This duty you may say primarily depends upon "management," but it is also an auxiliary duty of the credit department to see that this essential function of a business is "sold" to the salesman and sales department in such a way that management must of necessity approve of the credit department's course. This follows as a matter of course by reason of the obviousness of the sound principles enunciated.

It is a sound principle for the sales department to be told by "management" that the credit department is charged with the responsibility not only of accepting credit, but of effecting collection for the credit accepted, and that the credit department is solely responsible for such losses as may occur from bad debts. If such realization is had by the salesman when he commences his duties with the house, it

will make it easier for him to appreciate the fact that as a consequence final approval must be lodged in the credit department solely. It makes for a smoother running organization, is productive of greater sales by reason of keeping the channels of trade open, thereby creating greater net profit.

The salesman immediately goes to his task of securing in a businesslike way the information which his firm tells him is needed in order to promptly accept credit from the party whom he is selling. He obtains and disposes of the information secured in the manner provided by his house. The various methods and procedures which different houses designate for this part of the transaction has been a source of information to those who have attended the discussion meetings. Therefore, we know that when our studies, discussions and compilations are completed and the results given to our

members, they in turn will profit by the review of the practices that are current and the practices that are approved for this part of the sales transaction.

"We realize that we have undertaken a tremendous job, and know that there are many factors necessary to a successful culmination of our work. Last year the small committee which was appointed and started work on this subject became so enthused over the possibilities of this work that this year I asked our president, Mr. W. J. Clausen, of Hibbard, Spencer & Bartlett Co., if he would not kindly appoint to our committee as large a number as possible of those who volunteered for service. The work which we started last year found a great response amongst our membership, as evidenced by the fact that this year over 35 members volunteered their services to assist in the work of this committee. Each of them, of course, realized when they offered their services there was lots of work to be done, and that it was not simply a sinecure committee appointment.

The fact that this new committee is as enthusiastic as was the smaller committee, together with the response shown so far this year by the membership at large through their attendance at the monthly forums and the enrollment of over 500 for our study groups, leads me to the definite conclusion that the work we have undertaken is not only interesting to those engaged in it, but a matter of deep concern to the membership. I feel that although it is generally understood that we shall not complete our work in a short period of time, the membership is fully prepared to go along at least over a three year program, for they realize that the subject will be treated comprehensively and such treatment needs time.

How do we treat these subjects? We do not approach them from the viewpoint of schools or universities conducting courses in credit management. Our approach is from the practical viewpoint of those who are daily engaged in this work. During the course of this work I have heard it expressed time and again, and it is my personal conviction as well, that we have an obligation to our junior credit men and credit women to give them the benefit of our experience for the advantage and use of our firms. As we still may not have the time that we would like to have (Cont. on page 27)

Capitalism's future rests upon low-price programs

by BENJAMIN COLBY, The Brookings Institution, Washington, D. C.

FM Three years ago the Brookings Institution, actuated by accumulating evidence that the economic machine was not operating efficiently, embarked on a study which sought to ascertain the factors that might be responsible for the retardation of economic progress. It was not a depression survey, but an inquiry into fundamentals. The objective was not to find out why there were bread lines during a depression, but why there was widespread poverty even during "prosperity."

The study, conducted by Harold G. Moulton, president of the Institution, was financed by the Maurice and Laura Falk Foundation, of Pittsburgh. It began with a comprehensive survey of the nation's practical productive capacity, under present technique. Next, consumption habits, possibilities and trends were studied, followed by an inquiry into the processes by which the people's savings are used to build more factories and other plant and equipment. The fourth and final phase, recently completed, brings the whole study to a focus on the question of how distribution of income is related to our rate of economic progress.

It is here the economists have isolated what they believe to be the fundamental reason why the material progress of the whole people has been disappointingly slow in recent times. This impediment has been the failure of industry to pass on to consumers adequately the benefits of the great technological advances which have been made particularly within the past decade and a half.

The conclusion however, was not that this failure was inevitable, and that the system of individual initiative and private enterprise must be discarded. Rather, the findings are presented as clarifying the problems which must be faced in order that the nation may proceed to a substantial level of prosperity

far higher than anything which it has previously enjoyed.

The way out, the study found, is lower prices. This central recommendation takes direct issue with much of the economic philosophy now current, and is a broad challenge to price-fixing schemes and stabilization devices. Only by steering clear of these and restoring conditions of wholesome competition can the nation benefit fully from the increased productive efficiency that has accompanied its improving technology.

The nation's production is its real income. As production mounts, income increases, but production and purchasing power must expand together. If efficiency's savings are passed on to consumers in lower prices, purchasing power is thereby broadened. According to theory, this process is automatic under capitalism, but in practice, the report of the study states, obstructions have steadily become more formidable as numerous agencies of price stabilization—attempts to maintain short-term advantages of the status-quo have grown up. This tendency has been especially marked since the turn of the century. Competition has brought many prices down, but others stayed up.

The attempt to solve the problem by the advancing of wage rates has been only moderately successful. Certain groups of workers benefitted directly, but this put particular employers at a disadvantage in production costs. At the same time the wage struggle helped to create grave economic disparities between urban and rural groups.

Our productive capacity

The above statements are over-simplifications but they convey roughly the central conclusion of the study. Back of them is a chain of inquiry which diagnosed the nation's economic ills from the ground up. Inasmuch as the

people obviously had not had enough goods, the Institution, as the first step in its study, sought to learn whether enough could have been turned out. Was capacity enough to give everybody a good living if utilized? There were many guesses, but nobody knew how many shoes, steel rails, radios, or other articles our national plant could actually produce.

Statistics were compiled for all the major productive divisions—agriculture, mining, manufacturing, power utilities, and many others—and these were checked against information supplied by leaders in the various fields. Recognizing that production is not merely an engineering problem, the Institution made allowance for practical factors such as seasonality, in addition to the unavoidable losses from plant breakdown.

It was found that the nation's plant had been running at only about 80 percent of capacity even in prosperous 1929—the other 20 percent ran to waste for lack of a market. Had nobody wanted these goods, this unused capacity would have been understandable. But it was apparent to even the casual observer that millions of families were under-supplied with goods even in 1929. If statistical evidence was needed, it was offered in the next phase of the inquiry, which dealt with consumption.

Our consumptive capacity

More than 16 million families had incomes of \$2,000 or less; nearly 6 million received less than \$1,000. That these people, at least, wanted more goods was scarcely open to argument. In fact, almost the whole of incomes up to \$2,500 was spent for consumption purposes.

But higher up in the scale savings increased markedly and the study revealed that out of (Cont. on page 41)

Just where does "practice of law" start and end?

by HENRY H. HEIMANN, Executive Manager, N. A. C. M.

C The year is 1896. The free silver campaign is echoing throughout the land. The American people are in the throes of a depression and amid the excitement developed by a vital political contest.

Consequently, the daily press of that day takes little note of an apparently casual meeting that is taking place in Toledo, Ohio, on June 23, 1896. About one hundred pioneering, courageous, far-visioned credit executives have gathered together to plan and program a co-operative movement in defense of the nation's receivables.

With the progress of civilization, credit has played an increasingly larger part in the nation's welfare, and these men realize it is destined to play an even greater part in the years ahead. They know full well that the time has come when they must unite in their efforts to plan and program credit policies, credit practices and credit legislation if they are faithfully to discharge the responsibility of guardianship for the nation's receivables.

Today the National Association of Credit Men is the nation's largest commercial organization of a non-profit character. Far-seeing as were those pioneers in Toledo, it is doubtful whether any of them fully realized that from such an humble beginning there would develop an organization of such national solidarity as ours, one which was to play such a vital part in the nation's commercial affairs. For forty years the organization they built has continued uninterruptedly to act as a guardian of the nation's receivables. Its service has been of inestimable value to business and has contributed very largely to the progress of this nation.

The original one hundred pioneers have been succeeded by others equally interested. Most of the pioneers have

since been called to their Heavenly rewards. Their successors, however, are carrying on and expect to continue carrying on the work these pioneers laid out for the credit fraternity.

You, as members of this organization—and as credit executives—have a responsibility with respect to the nation's receivables. The accounts upon your ledger are in your keeping. They have been placed there with your consent and approval. To you is delegated the responsibility for keeping these accounts clean and alive.

This was a responsibility your predecessors discharged with credit to your profession. But today this is a responsibility that certain people are saying you must not discharge as your predecessors discharged it.

Of regimentation we read much in the daily press. There is now another type of vital interest to you as credit executives. Certain members of the bar are attempting to direct you in your daily business life. They are seeking to tell you that you cannot send your accounts to your own co-operative organization for collection since your organization in turn may forward them to an attorney. Such an act, these attorneys say, would be practicing law.

They go further. They practically deny the right of agency, a legal principle established through the centuries. This movement is not alone directed against you or your organization. It is an ambitious program designed to interfere with long established principles of business and business conduct.

Of course, if you can't handle your accounts receivables as you have been in the habit of handling them, and if you have no assurance that your liquidation can be competently taken care of, it is only natural that you are going to begin to tighten up in your appraisal of credit responsibility.

Given a certain set of facts, or given the knowledge that you can rely upon on organization you have built and developed to handle certain problems, you appraise credit responsibility, somewhat at least, in the light of this knowledge. You feel that you are armed with necessary protection in case your appraisal may not be entirely accurate. Without this protection, however, in a close case you may turn down the account, i.e., restrict credit. Therefore, the movement I have mentioned goes beyond preventing you from discharging your responsibilities. It restricts credit, the life-blood of industry, itself.

When you consider that our nation has gained its position of leadership to a great degree because of its development of credit and credit technique, you wonder why you and your predecessors, who have been responsible for the development of that credit technique and the expansion of sound credit, are now to be told that you can no longer function as you do and have been doing during the past forty years.

You are not alone in this wonderment. The real estate men are beginning to wonder in Massachusetts. The present Massachusetts interpretation of unauthorized practice of law, according to the New York Times of Sunday, November 17th, is beginning to restrict real estate sales. Now perhaps, the real estate men might well wonder why they can't carry on the most simple negotiations without the medium of a lawyer. The real estate men, like your Credit Associations, do not practice law. They do, however, exercise their constitutional rights of putting down their thoughts and handling their business problems in a business-like way, reserving the legal work for lawyers.

Most attorneys understand that. Certain groups of lawyers, however, many of whose members happen to be

members of the American Bar Association, and who are sponsoring a "desist" campaign, apparently do not, or will not, understand it. For instance, they are even saying that the real estate men are practicing law in Massachusetts.

But some of these attorneys are even more ambitious. Better Business Bureaus are put "on the spot" by them. Automobile Clubs, Chambers of Commerce, Notaries Public are also "on the spot." In fact, if one reads the statements made by one member of the bar, who at the moment is busily engaged in raising these issues in the State of Missouri (the statements were made in an address delivered at a Regional Conference of the American Bar Association held in Springfield, Missouri, September 28, 1935), you might just as well conclude that you will scarcely be able to walk down the street without having a lawyer at your side.

Ridiculous, you say? It would appear so. Yet, if you examine the claims, it is not as ridiculous as you imagine.

In that address Mr. Boyle G. Clark, speaking of personal injury cases, said he thought "all casualty insurance claims should be handled and settled only by lawyers over whom we have some control." Must one assume, therefore, that if one, while walking down the street, is struck by an automobile and that if there is no serious, physical damage, it can be called practice of law if a settlement is made on the spot?

But you, of course, are primarily interested in receivables, as is your organization. We believe you have a perfect right to place these receivables for collection wherever you desire. We still believe that Article 14, Section 1 of the Constitution of the United States is in effect, and we shall continue to believe so until it is repealed.

Among other things, this section declares: "No state shall make or enforce any law which shall abridge the privileges or immunities of citizens of the United States; nor shall any state deprive any person of life, liberty, or property, without due process of law; nor deny to any person within its jurisdiction the equal protection of the law."

Why, after a period of half a century and more, have these attacks been started about business methods endorsed by the passage of time and sponsored by reputable business men doing an honest business?

Some might suggest that there is more than a slight coincidence present in the statement made by Mr. Clark

at the Springfield meeting that in excess of two millions of dollars a year is paid to lay organizations in Missouri for what he termed "legal services." He goes on to state, however, that the mere money involved is not the motive for this program of his committee, although a few sentences later we read: "I would say that lay-



men are collecting in law fees more than one-fifth as much money as the lawyers in this state are collecting."

We have no quarrel with the legal profession. As I have frequently stated, many of our interests are common. Neither am I convinced that most attorneys are favorable to the present comprehensive movement undertaken by certain lawyer committees. Certainly a committee of the American Bar Association was established, and the movement got under way, with a desire to do some internal scrubbing. It is no secret that in the legal profession, as in other professions, some disciplinary action must be taken against those who do not adhere to the high ideals and standards set up by the profession.

This, I am certain, is the reason why similar local and state committees were originally established. But it seems to me these have gone far afield. Instead of concentrating on their own problems, they are in effect seeking to monopolize certain commercial work by having the courts label it legal work, thus constituting it the practice of law.

Again quoting Mr. Clark, because of his activity in this committee work, he stated in Springfield that "any agency that has been set-up to watch lawyers, to investigate lawyers, to promote the discipline of lawyers, is condemned by this committee and looked upon as a meddler."

I wonder how Mr. Clark figures the credit men of the nation look upon his committee. If lawyers are unwilling to have any outside agency check into their internal affairs, upon what basis of reason does Mr. Clark feel that the lawyers are entitled to check into the administration of business affairs.

The legal profession's ethics are high. There may be and are violations of these ethics by individual members of the bar, but I repeat that I do not believe these violations are more numerous in their profession than are to be found in other professions. I have never, however, heard it contended that the ideals and the ethics of the attorney, or the legal profession, were so far above the plan of business ethics. Business, too, has its ideals. Business has sound ethics that have directed it through the years. Apparently Mr. Boyle Clark does not think so. He says that "if every dollar that we (the attorneys) receive must be earned in competition with laymen, bound only by standards of the commercial world, how can we be expected to live by a Code of Ethics, idealistic in purpose?"

Does Mr. Clark think that business men or laymen do not have a code of ethics, that a code of ethics is individual to the profession of law? I do not believe the general public would be so ready to agree with Mr. Clark's views. I know that the credit fraternity will take sharp issue on this. The National Association of Credit Men has had a Code of Ethics of the highest type from the very first day it was launched. Time and again these ethics and principles have been brought into practical play in the administration of business problems.

Mr. Clark declares that members of the bar cannot be disciplined or held accountable for violations of the high standards fixed by the bar's code of ethics if they must compete with laymen who do not recognize those standards.

Since Mr. Clark seems to put us in the category of laymen, I think it would be well here for me to refer him to the Code of Ethics that the National Association of Credit Men has followed all through the years. We may have had, as the bar has had, members who have not lived up to it, but on the whole the performance under our Code of Ethics has been more than merely satisfactory and, I dare say, would compare favorably to the performance record of the legal pro-

fession.

It may interest Mr. Clark to know that the Code of Ethics mentioned above, has been in effect in this organization during all these forty years. Of even further interest to Mr. Clark would be our Adjustment Bureaus' Canons of Ethics, which detail the high principles upon which this phase of our business is carried on.

One prominent attorney in an address before the Commercial Law League of America at Washington, D. C., on July 29, 1935, said: "It is my contention that the lawyers are capable of handling, ethically, the commercial credits of this country."

I did not know that the right to practice law, or the license to practice law, automatically entitles lawyers to have an inherent right to handle the commercial credits of the nation.

I respect the legal profession. I recognize that in recent years, particularly, qualifications for admittance to the bar have been raised considerably and that before one can be duly licensed to practice law he must be grounded in a knowledge of the law, which requires generally four years, as a minimum, of intensive study in a recognized and approved law school. Following this, he must take an admission examination given by the states and upon the successful conclusion of this examination he is given a certificate which entitles him to practice law.

I wonder whether Mr. Clark realizes that modern business demands that a credit executive likewise have considerable training. Credit men aren't made over night. May I remind Mr. Clark that while a man can secure a license to practice law after four years of intensive training, the average credit executive, who is today on the job in a moderately sized commercial organization, is more apt to have had ten rather than four years of credit training. He must be a man of vision. He must possess analytical faculties. He must have a knowledge of accounting. He must have some knowledge of law, certainly as it effects contracts, and he must be fairly well acquainted with the various statutes.

No one, however, has ever up to this time contended that the average credit man is practicing law in his daily work. These are the tools with which he works. He must know how to use them and it takes him years to get this experience and this knowledge. It is evident, therefore, that as far as train-

ing and experience is concerned, the legal profession makes no more demands upon a man than does the credit profession.

The answer to all of these problems is the public's interest. Will the public be better served if these committees, representing a minor part of the attorneys are successful in their campaigns? Even the members of the committees do not contend that. They do contend that many organizations doing this work are not following the high standards they would like to see employed. We join most heartily with them in this conclusion. We would co-operate very eagerly in any joint endeavor to weed out the irresponsible and the shyster elements both in the legal and the collection business.

Would it not have been better for these lawyer committees to have conferred with the National Association of Credit Men? If, as they say, they recognize that we have done very satisfactory work and that there can be no question about the efficiency of our bureaus it would have seemed certainly the better part of wisdom for them to have conferred with us. Then we could have discussed our methods of



doing business and understood our mutual responsibilities.

There is another peculiar thing about the challenge that is being made as to your rights to protect your receivables in the way you have been doing it all these years. Normally legislation or a movement of this kind results from a demand by the public. The public is not satisfied with the service it is receiving and, for the protection of the public's interests, a movement gets under way for a certain type of legislation to correct existing evils or abuses. It can fairly be stated that the present movement by certain members of the

legal fraternity does not have the public demand back of it. Quite the contrary. And the commercial interests of the country do not intend to sit idly by, watching the facilities they have developed over all of these years destroyed over night.

One of our members recently remarked rather facetiously, that this movement by some lawyers had all the ear-marks of another "Share-the-Wealth" movement.

Perhaps that is not quite fair, though it is difficult to down the thought that some members of the legal profession are of the firm conviction that they are a select group to do specific work and that no one else should be qualified to do it. With respect to law and the practice of law, the contention is not at issue, but when it comes to commercial work or when it comes to what is and what is not the practice of law, then certainly the commercial interests are not going to allow a committee of attorneys to be both judge and jury.

One of the elements of unfairness in this movement against our member concerns and their own bureaus, is the fact that it is one of those "heads I win and tails you lose" campaigns. The first thing that occurs, when action is directed against you through your Association, is that we must employ attorneys. Therefore, win or lose, the legal profession has been in receipt of added business.

I do not, however, wish this statement to mean that we are lacking in gratitude to those attorneys who have assisted and are assisting us in our work in this matter.

Another element of unfairness, particularly where the Attorney General's office is used, is that you, a member company, are actually paying money for the purpose of financing an attack upon yourself. The Attorney General's office is supported by taxation. You are one of the very substantial tax-payers. A part of the funds that you pay are actually being used to restrict you in your legitimate and necessary business operations.

The restraint against the free and unregulated practice of law is, of course, an admitted need by everyone. This restraint, however, and the principle underlying it, issues entirely from the thought of protecting the public's interest. At no time has it ever been suggested that the right to use this restraint flowed from the fact that because men had been admitted to the bar they had an (Continued on page 45)

Accounting for judgments

by J. B. GRIBBLE, Sec.-Treas., F. P. Newport Corp., Ltd.

IN these peculiar times of stress, through which the business world is passing, great numbers of lawsuits are brought for collection of accounts. Where these suits are successful money judgments are levied against corporations and individuals. In times of normal conditions many of these suits would be settled and adjusted outside of Court. This in turn raises questions for the accountant which he did not have to deal with so frequently before the depression. From the accountant's standpoint there are three aspects to be considered:

1. The legal end, which the lawyer of the client must handle, but of which the accountant should have a working knowledge.

2. The bookkeeping phase and the recording on the judgment debtor's or creditor's books.

3. The public accountant's end: the certified report on the condition of his client.

These overlap somewhat, but following the outline suggested certain pertinent items of interest concerning each are given. The items here suggested are those relating to California procedure and may have to be adjusted to fit the requirements of other states.

1. Legal—the steps here are:

- A. Suit started and tried.
- B. Decision and Judgment.
- C. Docketing of Judgment.
- D. Execution by Legal Authorities.
- E. Filing of Abstract of Judgment to involve title of Real Property.

After the suit has been filed a settlement may be made and the suit dismissed. Where trial is completed and the decision docketed then the proper legal authorities have the right of Execution, as and when, demanded by the judgment creditor.

The Attorneys are generally the contact points in this part of the case, but sometimes "THE BOSS" asks his bookkeeper to check some of the items; this necessitates a knowledge of the procedure.

When the judgment is docketed in the office of the proper Court (in California either in the office of the County Clerk if a Superior Court Case or in the office of the Municipal Court Clerk in a Municipal Court Case) interest begins accruing from the date of the judgment. Costs are added to the judgment, but no interest is computed on the costs.

The interest, in case of partial payments on the judgment principal, is computed by the periods elapsing between the dates of payment, on the decreasing balance as payments are made. The costs are taken out of the final payment, unless otherwise arranged.

Upon final payment a satisfaction of the judgment should be filed to complete the record. Partial satisfactions, releasing, in the case of real estate, certain parcels, for partial payments made should be recorded on the Judgment Docket so that official recognition may be taken. When it is not de-

sirable to release property from a judgment lien a mere "Acknowledgment of Credit" may be filed upon part payment. The judgment roll should be examined from time to time to see if additional costs have accrued.

2. Bookkeeping—the steps here are:

When the judgment has been entered on the Judgment Docket, Journal entries should be made on the books of the Judgment Debtor and Creditor similar in form to the samples (Page 4) which will suggest the accounts affected.

If the books of the debtor are kept on an accrual basis, that is if interest on Mortgages and Trust Deeds or Notes Payable is accrued on the books at regular intervals, an entry should be made to cover the interest accrued on the Judgments Payable. They are just as much of a liability as Mortgages and will have to be cleared from the Official County Records before clear title can be passed in the case of the sale of Real Estate. If the Judgment vests against personal property, certain of this is exempt from execution according to the laws of the state in which located, but, in California, at least, only if exemption is claimed.

On the books of the Creditor, if interest is accrued on Receivables and collection of judgment is reasonably certain, the accrual should also be made on the Judgments. (Continued on p. 37)

Journal Entry for Judgment Debtor's Books

JUDGMENT LOSSES (Covering the costs and any other amount not covered by other accounts mentioned).....	\$ xx.xx
ACCOUNTS PAYABLE (or other accounts on which suit may have been brought, as Notes Payable, etc).....	xx.xx
INTEREST PAID (for any accrued interest that may have been found due in the suit)	xx.xx
To JUDGMENTS PAYABLE.....	\$ xx.xx
To record on books judgment in Case No.———docketed (date) in office of (state which) Clerk with interest @ ——% on Judgment amount from———.	

Journal Entry for Judgment Creditor's Books

JUDGMENT ACCOUNTS RECEIVABLE (covering amount recovered).....	\$ xx.xx
LEGAL EXPENSE (for attorney fees and costs not allowed)	xx.xx
To ACCOUNTS RECEIVABLE (or other account on which suit may have instituted, as Notes Receivable, etc.)	\$ xx.xx
To INTEREST COLLECTIONS (for amount accrued and allowed in Judgment total).....	xx.xx
To LEGAL EXPENSE (to offset previous charges for amounts expended and now recovered).....	xx.xx
To record on books judgment in Case No.———docketed (date) in office of (state which) Clerk with interest @ ——% on Judgment amount from———.	

Federal old-age and unemployment tax accounting

by HERMAN C. RAYMOND,
Certified Public Accountant

THE problems of accounting for the Federal Old-Age and Unemployment Taxes will vary with the particular organization. The tax accounting for the average mercantile and industrial concerns does not present any problem of great difficulty. In most cases, the present earnings, and history records, can be utilized with possibly some changes as the information required may indicate. The same holds true for the payroll form.

A payroll along the general lines shown below should meet the needs of most concerns.

Name (1)	Time Worked		Type of Work (4)		
	Casual (2)	Full (3)			
Total Amount Received					
Comm &					
Salary (5)	Bonus (6)	Other (7)	Total (8)	Deductions (9)	Net (10)

The general heading "Other" (7), would be for maintenance, etc. This general heading may be subdivided as found desirable into several columns. The general heading "Deductions" (9), covers items as employees contributions and the usual deductions. The number of columns under this heading being governed by the different kinds of deductions. The column headed "Total," (8), is the amount on which the tax is based. Column number 10 is the amount received by the employee.

The tax and payroll accounting will vary not only with each line of business, but with possibly businesses with-

in the same line, due to differences in the routine of the business. For this reason an exposition of every possible system is avoided as it would present a formidable mass of reading matter that would be of small use to all but not of particularly great use to anyone. With this in mind, and in an effort to cover the greatest number of points involved, there has been selected for illustrative purposes, a chain store type of organization operating in several states, having a restaurant, and/or, a soda and lunch counter in each, or some locations. The procedure herein outlined can be adapted to practically every line of endeavor with such modifications as the requirements of each individual case would indicate.

The first step is to build up an alphabetical file containing a personal history of each employee. This may be either a vertical card, or a visible binder type of file. The binder type has the advantage over the card, in that a personal history record does not have to be removed when working on it, thus minimizing the possibility of loss and misfiling. This record should provide for name, present and future home addresses, age, color, sex, present and future locations of employment, type of work, start and termination of employment, why terminated, and such other information as is found desirable.

The second step is to use a payroll as outlined previously. The remarks there made apply here. When the

element of tips enters into consideration a column will have to be assigned to it under number 7. Whether the meals are accounted for in the subdivisions of columns 7 or 9, or both, depends on whether the employee is to pay for his or her meals or they are considered part of the compensation. The contract of employment will govern.

On the reverse side of the payroll provision is to be made for the manager of the operation to fill in the personal history of new employees hired that week. These payrolls when received should be filed in alphabetical order by name of operation, or in numerical order by store number. This is to be done by the payroll tax division of the accounting department. The payrolls for each state should be in a separate group.

We now come to the third step, the employees' earnings cards. These cards should provide for employee's name, number, and store in which employed. They should be filed in the following order: all cards for employees at the same location together under that location; all locations in one state under that state; and a master card for each state.

The most practical method of handling the postings for any firm large enough to operate in several states is to use a machine. The machine should be the type that will pick up previous accumulations, post current earnings, and drop and print accumulations to date. The machine operator will pick up the totals of the payrolls for a state and the state accumulation on the state master, then take the individual earnings cards of each operation and post to them from the payrolls. The total postings, plus accumulations, as shown by the machine, should prove with the state master. If they do not, it is immediately known and the error located.

As the errors are thus localized they can be found in a minimum of time. In this manner the payroll for each state is known. This information is necessary for contributions to state funds. The totals of the state masters can be run off on an all-states master for the total payroll of the company. This gives the information for Federal contributions. The cards, of those employees receiving compensation in excess of that subject to either the Federal Old-Age or a state tax, can be marked with distinguishing markers. The amount of compensation not taxable can be drawn off and deducted from the company total, (Cont. on page 41)

What inflation will mean to the credit executive

by JAMES N. JONES, Decatur & Hopkins, Boston, Mass.

OF To the man checking credits, inflation presents peculiar problems. Rising prices, increased inventories, and a consequent increase in the number of failures coupled with a contraction in working capital will tax the credit man's ability to the utmost.

To understand their effect, let us consider these questions separately: first, rising prices tempt customers to overbuy; or to put it another way, to buy beyond their immediate ability to pay. This tends to freeze their working capital and there is a consequent slowing up of collections.

This tendency can be counteracted by the alert credit man in several ways. One is by holding up shipments; another is by carefully studying each customer's requirements and by scaling down the size of orders to conform to the customer's ability to pay, keep the account from becoming overextended. Still another way is by making a more determined drive on the collection of delinquent accounts.

It seems paradoxical to say that with increased business, accounts tend to slow up. However, when we consider it from the angle of increased inventories, it is easily explained. Since the assets of any merchant are made up of a combination of cash, accounts receivable, merchandise, and fixed assets, it is evident that if his inventory in merchandise increases faster than his ability to sell this merchandise, one of two things inevitably happens, either his cash is reduced to pay bills or the bills have to wait until the increased stock is disposed of. That some dealers overestimate their ability to sell their goods, leads them to buy more than they can currently sell and the result is increased failures.

It is up to the credit man to watch these tendencies closely and counsel his

customers accordingly. In the event that his warnings are disregarded, then he must not be caught holding the bag with accounts receivable which are frozen.

You may ask what are the tools he has to help in this scrutiny of accounts.



Inflation does not mean guaranteed, care-free prosperity.

One of the most useful is the property statement coupled with an operating statement. If you are fortunate enough to have several years' experience in your files on a given account, significant changes will immediately be noticed, but if the account is a comparatively new one, then the statement must be rated on its face value and significant relations of assets to liabilities carefully noted.

In a period of inflation a careful study of the problems it presents is very necessary to the credit man. Sales departments can co-operate in an intelligent campaign aimed at increased turnover for the dealer and thus counteract somewhat the inevitable increase in inventories.

Another contributing factor to the slowing up of collections in a period of inflation is the inevitable lag in raising prices. For example,—Take an article a dealer sells for \$1.00 that costs him

67 cents. If he could advance his price at exactly the same time his jobber advanced his, there would be no problem. But what often happens? He is selling that dollar article based on his sixty-seven cent cost after the wholesale price has advanced. It is this lag all along the line from manufacturer to wholesaler to retailer, that is an important contributing factor to the contraction of working capital and the consequent slowing up of accounts.

Still another phase in this complex picture is the psychological effect of rising prices and increased business. Sales pick up, things look brighter, and it is quite natural for Mr. Dealer to make commitments which he isn't in a position to afford. For several years he has wanted new fixtures, a new cash register, a new truck, and oftentimes the money to pay for these things is taken out of the business when it should go for merchandise bills and the maintenance of a first rate paying record. His living costs are rising even as yours and mine and he may draw out more money for living expenses than the profits warrant even though his sales seem to warrant it. He loses sight of the fact that increased earnings, if any, are tied up in merchandise inventory.

All of these factors put a credit man on his mettle to meet them and he should not lose sight of the fact that they all may apply in his own business and consequently he is under a twofold pressure,—First, from his own business for more cash with which to work, and Second, from a trend toward slowness of many of his customers.

Therefore, it behooves every credit man to redouble his efforts on collections immediately.

CREDIT and FINANCIAL MANAGEMENT . . . DECEMBER, 1935

All's (rather) quiet along the Potomac

by CHARLES F. BALDWIN, Manager, Washington Service Bureau.

EN The season of active political skirmishing—open season for politicians—has again returned to Washington. From now until the presidential election is decided next Autumn developments in the nation's capital should be analyzed with a keen political eye to windward. Vox Populi, wooed so ardently during one year out of every four and often neglected or unheard during the other three, will again be the major influence back of statements and policies.

What will be the command of that voice of public opinion concerning such matters as business improvement, continued unemployment, the unbalanced budget, the currency situation, taxation, labor policies and other major national issues? What will it say about the soldiers bonus and about such legislation as the impending O'Mahoney bill to license business?

While public sentiment regarding these issues is forming, New Deal administrators in Washington are endeavoring to improve administrative conditions which have be-devilled the Roosevelt Administration and hampered the work of many of its new agencies.

During the turbulent final days of the last session of Congress comments on the administrative confusion in Washington were frequently answered by enthusiastic New Dealers in the following vein: "As soon as Congress adjourns the President will take care of all that." There seemed to be a general feeling in some quarters that all problems, from that of the embattled NRA to that of the unbalanced budget only needed for a solution some magic word or inspired plan from the White House. Today, more than one-half of the "breathing spell" between sessions of

Congress has passed and a survey of the Washington situation discloses little improvement in some of the administrative difficulties which now appear to have become almost chronic.

Conditions in the administrative branch of the government often escape public attention. In Washington, however, the careful observer is inclined to devote as much more attention to the conditions in the agency that is created or authorized to administer a new law or policy as he does to the merits and faults of that law or policy. Similarly the prospective buyer of a motor car is content not only with examining the motor but also assures himself that the chassis of the car is strong enough to support the motor. Applied to the government this observation is merely another application of the obvious, but sometimes overlooked fact in business life, that the best policy or plan is never any better or more effective than the agency which administers it.

It is impossible to portray an honest picture of Washington conditions today without referring to the administrative difficulties which are too apparent to be ignored or denied. The casual observer regards with amazement the spectacle of apartment house tenants being ejected to provide office space for a new governmental agency, and the frenzied search for space in old stores, office buildings, and even former private homes to accommodate the overflow from the regular government buildings which have been literally bulging with the increased personnel on the government's payroll. He is incredulous when he learns that the Rural Resettlement Administration is located in seventeen different buildings in Washington. But what he may overlook is the fact that

these problems and a host of others have existed in one form or another in both the new and, to a less extent, in the old governmental agencies since the advent of the New Deal.

What are the reasons for these conditions? One, of course, is the great increase in the number of government employees since 1932. Another is the fact that many of the new government units have few if any precedents to guide their work. Another is the duplication of effort, the overlapping of functions which is so evident among the new agencies and between them and the older branches of the government. (Witness for example, the Administration's housing program handled by several different and more or less uncoordinated agencies). Finally it must be admitted that many of the administrative problems can be traced to the delegation of administrative duties of the greatest importance to theorists or political appointees instead of to trained executives.

The above remarks, which could be extended at great length, are not expressed in the spirit of destructive criticism or political bias. They are intended to be a factual report of a condition which exists and which is of importance to every American taxpayer and business man.

Policy trends

While no startling changes of policy have marked the two months which have intervened since the departure of Congress, there have been certain developments which point the way toward possible future trends of New Deal policy.

At the present time that policy seems to be shaping toward a greater recognition of the criticism of government expenditures and a resultant effort to taper off direct federal relief contributions as soon as possible; a renewed emphasis on the housing program with, however, a better coordination and centralization of housing activities than exist at the present time; an effort to make the AAA a permanent agency, which would mean, of course, the permanent adoption of the principles of the AAA as a national policy and an effort, if possible, to revive some form of business regulation along the lines of the NRA.

There are also some indications that the Administration, without repudiating or weakening the basic policies of the New Deal, may make unusual efforts to turn a friendly face to business, at least for the next few months.

The status of some aspects of the New Deal is indicated by the following brief reports of conditions in certain New Deal agencies and activities:

Social Security Board

Organization of the Board to administer the Social Security Act has been hampered by lack of funds resulting from the failure of Congress to pass the deficiency bill. The Board as now constituted is a sort of skeleton organization with divisions and sections to handle various phases of the Act. It will undoubtedly still be some time before the Board begins to issue instructions and regulations. Its work up to now has been almost entirely organization and the development of procedure. At the present time the Board has nearly completed a model state unemployment compensation law which will be sent to the states which have not yet enacted such laws as a suggestion of the type of law which would comply with the Federal Act and be acceptable to the Board.

Meanwhile, a Social Security Section has been established in the Miscellaneous Tax Unit of the Bureau of Internal Revenue to handle the taxes levied under Title VIII of the Social Security Act. Taxes under Title IX of the Act will be collected by the Income Tax Unit of the Bureau. For some time both units have been studying the situation preparatory to issuing tax regulations. As taxes under Title IX of the Act commence with the beginning of 1936 it is expected that the Income Tax Unit will have regulations and forms covering these taxes available by December 15th. As taxes under Title VIII do not commence for another year the regulations applicable thereto will probably be issued later.

Labor Relations Board

Despite the various challenges as to the constitutionality of its organic law, the National Labor Relations Board has moved rapidly into action and in early November was issuing complaints at the rate of about two a day. The first three decisions of the Board were expected to be issued before the middle of November and it was generally expected that at least some of the early decisions of the Board would be carried to the Supreme Court.

The Board has recently issued rules and regulations governing its activities which may be obtained upon application to the Board.



The Capitol as seen from the new Supreme Court building where interest is centered now as to the Court's verdict on recent legislation.

Bituminous Coal Commission

This Commission, created under the Guffey Coal Law, is also in the throes of organization. It is at present engaged in the organization of district boards to carry on its work and is also making plans to hold hearings on allocation of production quotas so that it will be able to issue a report to Congress on this subject as required by the law.

National Recovery Administration

With a staff still several times as large as that of the State Department, the NRA continues its studies of business under the codes, an activity which was recently characterized as a sort of "economic boondoggling". Rumors of its continued reduction in size vie with rumors that the Administration cherishes a wistful hope that Congress will revive a modified form of NRA. Meanwhile the Federal Trade Commission continues to handle voluntary code applications.

The NRA administrative picture has been somewhat confused by the designation by the President of Major George L. Berry as Coordinator for Industrial Cooperation, while a Mr. L. J. Martin is still designated as Acting NRA Administrator. Major Berry's field of activity seems to include the entire scope of the NRA but

Major Martin occupies the former seat of General Johnson, a position whose main function now seems to be the unpleasant and politically embarrassing job of planning and executing reductions in staff. Meanwhile, Major Berry has invited a large number of business men and labor leaders to meet in Washington in December and discuss plans for a permanent NRA.

Housing

There is reason to believe that the Administration is planning to concentrate on a re-vitalized and extensive housing program both for social and economic purposes. The result of the past housing program as a material stimulant of business activity, have been far below expectations. Apparently it is now realized that one major fault in the program was that there were too many housing irons on the fire. With the PWA, the FHA, and more recently the Resettlement Administration (as well as other branches of the government) all concerned with housing in one way or another, it is not surprising that the program lacked coherence and force.

Efforts have recently been made to coordinate these housing activities and there is even talk now of some central agency to administer all phases of the housing program in, at least, the financial part of the program. (Cont. on p. 44)

Introducing: a new monthly credit study

by EDWARD L. LLOYD, Chief, Market Data Section, U. S. Department of Commerce.

EN As many of you are aware, your National Association has for some time explored the possibility of further serving its members by collecting, analyzing and publishing accurate monthly data relative to the credit experiences of manufacturers and wholesalers throughout the United States. The lack of adequate information on this important subject is undoubtedly a decided handicap to business men, not only in the formation of credit policies, but in connection with sales efforts and other related activities.

The Bureau has long realized the need for such data and, when approached by your National Association, enthusiastically signified its willingness to cooperate. Various meetings were held during June and July of this year for the purpose of making the study a truly cooperative venture in the matter of financing and carrying out the program. Through these talks the following plan was evolved:

1. Your Association is soliciting the cooperation for a period of twelve months of at least 5,000 member firms properly distributed according to manufacturers and wholesalers, commodities handled or produced, and geographical location.
2. At the beginning of each month, each cooperator is forwarded from the *Bureau of Foreign and Domestic Commerce* a card bearing a code number instead of the name of the company.
3. This card is filled out immediately and returned to the Bureau in a return envelope *requiring no postage*.
4. Under a system of code numbers developed and employed by the Bureau, the reports will be treated as *strictly confidential*. The code numbers permit the utilization of all the essential information without disclos-



ing the identity of the reporting company.

5. The data, compiled by the Bureau according to trade and region for manufacturers and wholesalers separately, will be released simultaneously by the two organizations as soon as possible after the end of the month covered by the report.

The data to be collected has been limited to that which is readily available, thereby minimizing the effort on the part of cooperating firms. Fortunately, the most significant data is readily available so that the usefulness of the report which will be sent to co-operators has not been sacrificed. Accordingly, the card asks for two sets of data: total sales and the percent collected monthly on accounts receivable outstanding. This information is gathered for the current and preceding

month and for the current month a year ago.

From an explanation of the mechanics of such a program some of you may be thinking that it would be most interesting to see a report based upon such data. You might rightfully ask: "Does it add to the knowledge of credit management?" "Does it provide a sounder basis for extending credit?" and "Does it fit into my business?"

Each of these questions can be answered affirmatively and emphatically. That it adds to the total known facts in the field of credit is obvious. That it fits into your business and provides a sounder basis for credit extension becomes clear when you consider the fact that by such an analysis you have a basis for comparing the efficiency of your own operations with that of others. By analyzing an accumulation of these data long term trends of sales and collections will be revealed as well as seasonal influences.

Such a work as the wholesalers' and manufacturers' study cannot supplant your own statistics but is a valuable supplement to them. You all realize the need of statistics analyzing your overdue accounts by age, by geographical subdivisions, by products or lines, by salesmen and by types of customers, so that you may check the progress of your own department. To these we hope to add statistics of common experiences in your industry, which, when considered in the light of your own experience, will assist you, for example, in forecasting with some degree of accuracy the amount of cash it is reasonable to expect to collect in future periods.

Through a knowledge of what is happening to sales in your trade for the current month as compared with the past month and a corresponding

month a year ago you will be provided with additional information as to the condition of the market in which you sell. Such information is a guide upon which to base your promotional activities, whether you be selling to the wholesaler, the retailer, or direct to the consumer. These sales figures may also be valuable to buyers as indications of the need for replenishing inventories.

Another value of such a study is the compiling of average collection percentages, that is, the amounts collected on accounts receivable during a given month calculated to the balance of accounts receivable at the beginning of the month. This determination of the rate at which payments are being made should result in the adoption of more aggressive collection policies when one firm's results are out of line with the industry's.

An indication of the desire of the Bureau of Foreign and Domestic Commerce to further serve business is contained in a letter recently directed to your firms. It asks: "Would you also be willing to report, at quarterly intervals, the percentage of your dollar accounts receivable which are overdue more than 30 days but less than 60 days? More than 60 days?" If a sufficient number of favorable replies are received, the monthly study will be expanded to provide for this type of data which when used should tend to bring about lower ratios of delinquency for this asset item. It may also be possible to make general studies of mercantile credit at yearly intervals (somewhat on the order of the retail credit surveys which are being conducted).

Since the early part of August, large numbers of wholesalers and manufacturers have given favorable reaction to the proposed monthly study. The work of rounding out the sample, which is necessary to reflect adequately credit conditions prevailing in each section of the country and for each trade selected, is nearing completion and we expect to collect data and compile a report in the near future. To those of you who have not as yet signified your intention to participate I should like to urge your doing so as soon as possible. If you have failed to receive a letter from either your Association or our office, you can join by sending the attached form to Credit & Financial Management. In this way you will greatly assist your Association and the Bureau of Foreign and Domestic Commerce in carrying out a program designed to be

directly beneficial to your business.

The practice of this profession of yours is far from an easy task. The two-fold job of selling your institution, that is, securing volume and at the same time keeping losses at a minimum taxes the ability of all of you. If your policies are too liberal, a measurable number of dollars are lost by your firm.

On the other hand, if you err on the side of conservatism you lose not only a specific amount of dollar sales but an inestimable amount of potential sales. Each of you can face this daily problem with a maximum instead of a minimum amount of information. When equipped in this manner you are truly a professional credit man.

Manufacturers and wholesalers' monthly credit study

Procedure

1. Cooperation solicited for period of twelve months of at least 5,000 member firms of the Association, properly distributed according to manufacturers and wholesalers, commodities handled or produced, and geographical location.
2. At the beginning of each month, each cooperator is forwarded from the *Bureau of Foreign and Domestic Commerce* a card bearing a code number instead of the name of the company.
3. This card is filled out immediately and returned to the Bureau in a return envelope *requiring no postage*.
4. Under a system of code numbers developed and employed by the Bureau, *the reports will be treated as strictly confidential*. The code numbers permit the utilization of all the essential information without disclosing the identity of the reporting company.
5. The data, compiled by the Bureau according to trade and region for manufacturers and wholesalers separately, will be released simultaneously by the two organizations within three weeks after the end of the month covered by the report.

The monthly schedule calls for the following information:

Question 1. Total sales for:

- (a) Each of the two preceding months this year
- (b) The past month a year ago

Question 2. Per cent* collected monthly on outstanding accounts receivable for:

- (a) Each of the two preceding months this year
- (b) The past month a year ago

* Obtained by dividing total dollars collected on accounts receivable during a given month by the accounts receivable outstanding at the beginning of that month.

Name of Concern:.....

Address
(City) (County) (State)

Check type of establishment: Wholesale ☐ Manufacturer ☐ Principal line of merchandise handled.....

Check if merchandise is distributed: Nationally ☐
Territorially ☐ Locally ☐

1. Will you submit information called for by the two questions promptly after the end of each month for one year starting around January, 1936?.....
2. Would you *also* be willing to report, *at quarterly intervals*, the percentage of your dollar accounts receivable which are overdue more than 30 days but less than 60 days?..... More than 60 days?.....

Name of person responsible for furnishing information:

Letters of a credit man to his son

by CHARLES G. COBB, Secretary, New Orleans C. M. A.

V

Dear Charles:

History records with pride the great orators of Greece and Rome, and also the Clays and Websters of our own country. I wish I had some of their eloquence and powers of persuasion to be able to convey my thoughts on the Credit Interchange System of the National Association of Credit Men and its advantages.

You asked me why it has not made greater progress. The answer is not difficult. Many users of the service chisel—are its worst enemies. They abuse the direct inquiry.

If there is any commercial abuse worse than the direct inquiry, I do not know it. Did you know that many firms are compelled to employ extra help to answer inquiries? Some firms receive five to ten inquiries on the same account within the space of thirty days. The inquirer in many instances has not even the courtesy of giving their own experience, or it may be they trump an alibi by mentioning a prospective order.

What benefit can a prospective creditor with a \$25.00 order offer to a creditor who has been selling a large account for years, and who is constantly investing in Credit Interchange Reports for his own protection?

If the prospective creditor had a sizable order and he was interested sufficiently to write a letter to the reference, the two are placed upon a more equal footing, but to flood the trade with promiscuous direct inquiries of which thousands are daily thrown into the waste basket, turned out at random by some stenographer or office boy, is

an economic waste of time and effort.

Visualize if you will what it would mean if every manufacturer and wholesaler in these United States was a member of his local Credit Association and centralized his inquiries for ledger experience information in said Association. The result—a complete picture of a debtor's liability. Why, son, it would cut the bad debt waste of this country by more than 75%!

If every creditor had access to the accounts payable of his every debtor no service would be necessary, but as that is an impossibility under our complex business system the next best thing is for every credit grantor to support the Credit Interchange Bureau; to make all of their inquiries through the Bureau; to file new accounts regularly; to answer daily all requests for information and co-operate in every way possible to maintain the Service at a standard for the benefit of all.

Concerns who abuse the Direct inquiry attempt to learn everything about the responsibility of their active and prospective customers, without paying a penny. They subscribe to no agency service, but depend upon the gleanings from their competitors. They enjoy the protective laws of every state which were placed on the Statute books by aggressive and co-operative credit men. That type of firm rides free without paying any of the freight. They never support a protective movement nor co-operate when any of its customers become involved. They are always ready to criticize and play the dog in the manger.

You can only get out of your golf club, your lodge or your church in

proportion to what you put into it, son. If every credit man gave his wholehearted support to his Credit Interchange Bureau his credit problems would be largely solved. Possibly I am expecting too much of a self-made system which is highly idealistic. It is not an impossibility. Its accomplishment would not mean the millennium had arrived, but it would solve the problems of the Credit Executive.

Lovingly,

Your Dad.

VI

Dear Charles:

When I took up credit work, there were no books nor texts for me to follow. Credit men in those days had to blaze the trail. Their tools were crude, and what they learned was from experience.

It is much different today. There are hundreds of texts on Credits and Collections written by able authorities, practical men as well as by students of economics. Colleges have offered special courses to their students, and banks will not promote their employees until they have completed special courses in which credit is an important factor.

As far back as 1914 the National Association of Credit Men urged the local organizations to encourage classes in Credits and Collections. In the intervening years, Credit Education has been one of the major activities of each Association and from these classes have graduated many of the prominent credit executives of the day.

Much credit should be given to the various Chapters of the National Institute of Credit. These Chapters have carried on the work started years ago, and have sponsored these classes for the

younger credit men and women and have encouraged students to obtain Junior and Senior Certificates, as evidence of their accomplishments in the field of study and research.

Young men have accepted the realization that the battle of the future can only be won by those best qualified. There is always plenty of room at the top, and those content to go through life emulating the drone bee will awaken with a start when they realize that they have thrown away many valuable years in wasteful and listless effort, whereas their more studious fellow workers will have gradually forged their way to positions of responsibility and greater remuneration.

My boy, youth unfortunately does not look far into the future. It is blinded by the shimmer and glitter of the bright lights and concerned more with the immediate present than the hazy future. If youth could gaze into the crystal, careers would be moulded along more circumspect lines.

Lovingly,

Your Dad.

VII

Dear Charles:

Since prehistoric times, we have observed the gregarious customs of man; for instance, cave dwellers. In our own days those customs are exemplified in our rural districts, cities and modern skyscrapers. The objects of community life being for self-preservation and protection. Also because of the economies that are effected through mass living and production.

When the local associations comprising the National Body were organized, it was to fill a need, to answer the requirements which were recognized could only be obtained through an institution owned and controlled by credit men. In keeping with other progressive steps, many associations organized Collection Departments. This arm of service was adopted because of the effect of a demand upon the debtor by the Association. Such a demand carrying with it the prestige, strength and backing of a membership of 20,000 manufacturers and wholesalers. Its force and effect were unlimited.

This service fitted in very closely with the program of rehabilitating the honest, but embarrassed debtor. Credit men realized that it was to the advantage of the firm they represented to bring their semi-insolvent debtor to the adjustment bureau of their Association. Have the debtor meet with his creditors for a full discussion of his affairs,

as well as explanation of the difficulties leading up to his predicament.

If the debtor was worthy and the prospects appeared fair for him to work out of his debts, he was given that opportunity under a supervision of a Creditors' Committee in co-operation with the Association. Definite plan



☛ The author of this series

and specific payments were agreed upon; monthly statements submitted; progress or retrogression noted; dividends distributed at regular intervals.

If the debtor was fortunate enough to pay out in full, his business was turned back to him and an outlet was saved for the manufacturing and wholesale interests, as well as retaining the merchant himself in business.

If the subject's affairs were hopelessly involved, the creditors, or their Committee, would order a liquidation before the remaining assets were completely dissipated. The Creditors' Committee sitting in judgment through their organization would determine upon the best and quickest and most advantageous method of liquidation.

These friendly adjustments, under the supervision of the Association, have yielded to creditors greater dividends than received by them from liquidations over which their organization had no control.

The Adjustment Bureaus throughout the National System are constantly working in creditors' behalf. The appreciation of their efforts in salvaging estates is evidenced by the wholeheart-

ed support of the credit fraternity.

Lovingly,

Your Dad.

VIII

Dear Charles:

There is an old proverb about the lion lying down with the lamb. Well, that actually happens in the Association's Credit Groups. Competitors meet with each other for discussion.

These groups were never intended to be self-sufficient, which fact they recognize. They comprise concerns in the same or kindred lines of business and the basis of their organization is for the discussion of slow or doubtful accounts in which the members have a mutual interest, and not for sales promotion.

As a general proposition, credit groups throughout the entire National System operate in the same manner. A certain number of names are submitted for discussion at each meeting. A Chairman regulates the procedure. Many intimate details are brought out at these round table meetings, which by virtue of their intimacy could never be incorporated into any agency report. It is only after credit men know each other better, call each other by their first name, that they forget petty jealousies and are willing and ready to confide in their fellows all of the information that they have been able to gather bearing upon the subject under discussion.

This information is obtained from salesmen's reports, brokers' correspondence, personal knowledge, or from sources that filter into the credit department from time to time.

All groups are predicated upon Credit Interchange and every name discussed is cleared through the System, bringing to the inquirer not only the experience of the group members, but experience from every known market in which the subject is buying.

These groups have broken down the feeling of distrust which formerly existed between houses in competitive lines, and have produced a frankness, friendship and good fellowship which could not have been attained excepting through such a medium.

My boy, if your firm is not presently a member of a Credit Group in your Association, take the initiative and organize such a group. It will bring you in close contact with every concern in your and similar lines selling to the same trade that you (Continued on p. 39)

This month's collection letter:

Submitted for the approval of our readers by

HELEN MUTNICK, Credit Correspondent

Reliance Paint & Varnish Co., Detroit Mich.

Dear Mr. Smith:

We, like everyone else, Mr. Smith, like to receive Christmas Gifts.

And the finest gift you can give us this season, would be a check clearing your account, which amounts to \$28.15.

You'll have the pleasure of playing Santa Claus and filling our stocking, and we'll have the pleasure of having our Accounts Receivables in good shape at the end of the year.

What do you say, Mr. Smith? Do we receive our Christmas gift?

Wishing you a Merry Christmas and a Happy New Year, we are,

C "This is a copy of a letter that we sent out to our delinquent accounts last Christmas. We tried it more or less as a stunt, but we were agreeably surprised at the results," Miss Mutnick writes.

"Many accounts that had resisted pleading, appeals to their pride, and hard-boiled threatening letters, broke down at the idea of giving us a Christmas present, and sent in their check clearing up their accounts. With their checks, several of them wrote notes referring to themselves as Santa Claus.

"We are submitting this letter for the approval of the readers of Credit and Financial Management, and the best recommendation I can give the letter is: this Christmas Season we are going to use it again!"

"P. S.—Sometimes a little bad grammar succeeds in collecting a check. It is true that the first two paragraphs are in reality one sentence, but in order

to emphasize the idea more clearly, we broke the sentence up."

Credit and Financial Management presents each month on this page an outstanding collection letter. They are selected from those submitted by our readers. All letters submitted should be successful examples of letters actually used in credit department operation. No doubt, you have one or two letters that have been real "money getters." Send them to us. We will be pleased to consider them for use here.

A great deal of collection letter writing, however, can be obviated if proper care is taken in analysis of credit responsibility. The most fundamental, up-to-date method ever devised for knowing just how worthy your credit applicant is as a risk has achieved foremost standing among credit executives because it is based on the current record of the customer in paying his other debtors. There is no substitute for a Credit Interchange Report.

CREDIT and FINANCIAL MANAGEMENT . . . DECEMBER, 1935

Burroughs

SHORT-CUT KEYBOARD



Ciphers print automatically

5 Automatic *
 3 4 Automatic
 2 3.5 5
 5 Automatic
 1 3.2 Automatic
 2 4.8 Automatic
 1 2.5 Automatic
 4 2.2 5
 2 5 Automatic
 3 6 Automatic
 6 3 Automatic

So much less to do

Fewer motions . . . that's what makes a Burroughs so fast. Automatic ciphers, saving nearly one-third of the work, are only one of its many short-cuts. Other short-cuts permit the operator to add or subtract an entire amount with one motion of the hand. Taking a total is also a single motion. Could any machine be faster, simpler, easier to operate? For your copy of a new and interesting booklet picturing and describing these and other exclusive advantages of the short-cut keyboard, telephone your local Burroughs office. Or write direct to **BURROUGHS ADDING MACHINE COMPANY, DETROIT, MICHIGAN**

**ADDING, ACCOUNTING, BILLING AND CALCULATING MACHINES
 CASH REGISTERS • TYPEWRITERS • POSTURE CHAIRS • SUPPLIES**

Since Burroughs prints ciphers automatically, there is no time wasted writing them; no danger of error in writing too many or too few ciphers. The short-cut keyboard is the only one that provides this great saving in time and effort.

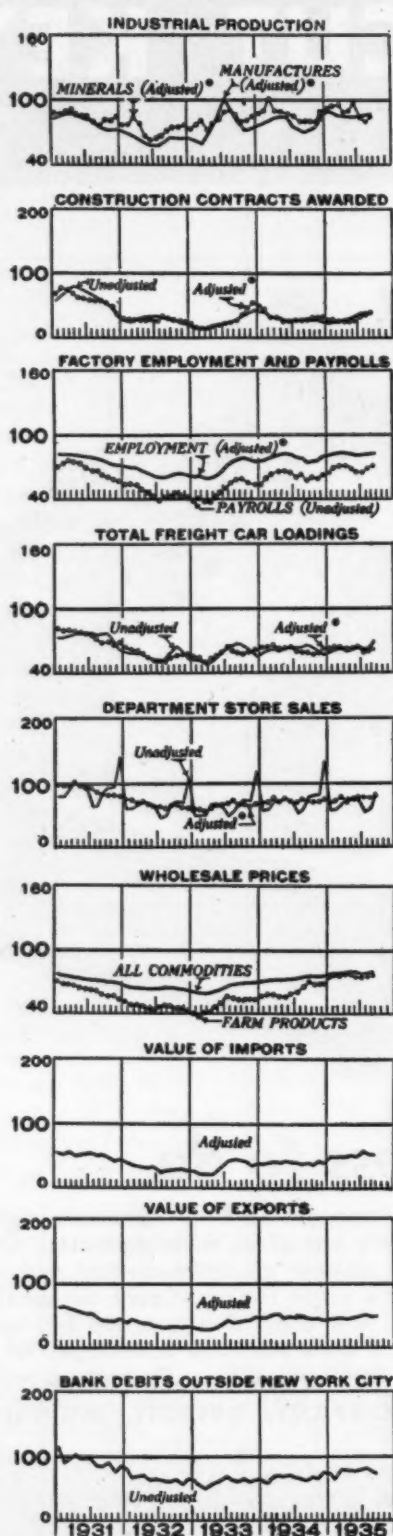
The business thermometer:

Retail trade: Considerable improvement in retail trade in 33 key cities was reported in the mid-November report of the Department of Commerce. This gain in retail trade in turn reflected gains in the larger wholesale markets as well. The turn of weather conditions to more seasonal temperatures in most every section, was an important factor in the mid-month trade while the start of holiday buying also was recorded. State street in Chicago reported that Saturday, November 16 brought the largest dollar total in several months and one store offering a special sale event reported the largest sales since 1929. In the mid-western territory, wholesale houses which have followed the plan of offering clearances of stock in December, have told buyers inquiring about such events that little merchandise is now available for clearances.

Automobile sales: November, it is expected, will show higher sales totals than any recent January (the month when new models formerly were brought out). Actual buying at the November auto shows ran from 30 to 40 percent above the January total last year with a considerable gain in the higher priced car group. Reports from Detroit and other auto manufacturing centers indicate that deliveries on steel already is a problem in some plants. Since the demise of the NRA, auto dealers in some localities have stepped far out on the limb in the matter of trade-ins and stocks of used cars now in the hands of dealers is looked upon as a possible problem in the early months of the new year.

Steel production: In mid-November steel production stood at 54½ percent of capacity as against about 29 percent for the same period last year. In fact, the mid-November total was higher than for any week since June, 1934. Several factors are said to have caused this increase in plant orders. Orders for rails, for one item, have increased in anticipation of possible increase in prices which are broadly hinted in steel circles. Of course, the burst of new production in the auto field also had

Dept. of Commerce Charts
1923-25 = 100



a marked effect. But other factors are perhaps more heartening to the steel men. There has been a noticeable increase in orders from farm machinery makers. The new beer cans continue to boost orders in the tin plate section of the steel trade so that this division is now operating at 70 percent of capacity according to mid-month reports.

Home construction: The F. W. Dodge reports on home building volume for the first half of November show a total about double that of the same period last year. Rental prices in the larger cities are increasing and the number of vacancies in apartment buildings is gradually diminishing. Sales in such line as paints, which show the trend toward improvement in home building and remodeling work, continue to hold well over last year. Another factor in the home construction picture is the attitude of the investment money market toward home loans.

Eccles on credit curb: Perhaps the most discussed subject in the latter part of November in business circles was the declaration by Governor Eccles of the Federal Reserve system that he did not see danger of over expansion in the present upturn in the security market. Governor Eccles pointed out that "there is an element of safety and strength in the fact that the security purchases are being financed out of cash without increased use of bank credit. I am doubtful if a run-away stock market situation can proceed very far without being reflected in increased demand for borrowed funds." Continuing, Mr. Eccles pointed out that "the system has no authority whatsoever to curb buying of securities by individuals or corporations. Its only authority in this matter is over margin requirements." Indications from Washington were that the credit curb would be applied promptly if it reached a danger point.

Labor squabble: Development during late November of an open row between John L. Lewis and the A. F. of L. will be watched with much interest by industry. This is a row between the backers of industry unionism and those who would promote craft unions.



Credit systems and methods

(Cont. from p. 10) to personally devote to such work individually, therefore these discussions and study meetings of our membership are proving a source of information and knowledge to our junior credit men and women. Senior credit men and women however are showing that they too know that they can learn every day of their business life and are our most enthusiastic supporters.

Getting back to where the order comes into the house, and the credit man has received the information submitted by the salesman on the forms provided, it is then up to the credit man to make an investigation. On this one subject alone, "Credit department investigation" we feel that our discussion and study meetings will consume a period of three months by having one meeting a month. This typifies how exhaustive a study will be made and how interesting the discussions of the various groups will be.

Following along the transaction, we get the order shipped. We found in our limited work last year that at this point some houses created a direct tie-up between the customer and the house by use of a letter of acknowledgment which embraces credit arrangements and which they contend makes for a more direct and satisfactory relationship. Such an arrangement also clears up any indefiniteness that might have been in the mind of the customer after the salesman has left the customer, and leaves the salesman in a better sales position. We have found that the bringing home to the customer of terms in a definite manner at the outset of the transaction many times makes some habitually slow paying customers of other houses, prompt payers with you.

If the order is not shipped, it is held, and you and we will go through the various procedures that are in current usage under such circumstances. If, perhaps the order must be rejected, the non-acceptance of credit calls for a letter of explanation at a point where the customer is apt to be super-critical, and at a point where good will is easily lost. I am certain that this one subject alone will be well worth the attendance of our members when it is under discussion.

After an order is shipped, following through our transaction we necessarily must develop our credit file. Discussion which will embrace ledger account

records, quick reference files, credit information folders and all kindred matters I am certain will result in the compilation of practices that can be adapted in part to your business. When I say adapted to your business, I do not mean that you will take a system in its entirety and adapt it to your business, for that would be too far fetched. You will admit, however, I am sure, that there are points in the procedure of different members that can be picked up and used to advantage by all of us, sandwiched in with our own method of handling our credit file. Then we will consider the availability of a credit file and the uses that are made of it with reference to follow up and collections.

In considering follow ups, we of course will discuss ways and means by which accounts are brought to the attention of the credit manager. Even if an account is paid when due there are, in some industries, such matters as deductions which are considered unfair, and this subject will be gone into to see what treatment is given such matters. If an account is not paid when due we are brought into the collection procedure. If the transaction involves a C. O. D sale such form letters as are used in attempting to collect it, including forms covering return of the goods and the filing of claims will be considered. If it is an open account which is overdue, various methods that are used to effect collection prior to the actual starting of a collection file will be gone into.

Pursuing collections, we determine when it is necessary to file claims with attorneys and collection agencies, how ledger records are kept. Collection ledgers and Suspense Ledgers will be considered, and ways and means of easily establishing a yardstick on percentage of collectibility of such attorneys or collection agencies.

While speaking of a yardstick, it is my feeling and that of a good many other credit men, that bad debt losses should also be more generally predetermined than seems to be the general practice. In this respect the credit department has a selling job to see that this becomes the policy of its own business if it is not now so. Through the group discussion meetings the proper yardstick of loss through bad debts for

each industry can be arrived at.

We feel that after completing a compendium of methods and procedure, such manual will be used by management as well as credit executives to measure the efficiency of their own credit department. Management is vitally interested in having an efficient up to date credit department. If our manual indicates to management that their credit department does not measure up to standard through lack of proper tools, they will soon see to it that the credit department is not at a disadvantage as compared to others in like industries, just as they will not permit their production and sales department to be out of date.

I believe it was Bacon who remarked that it is "the nature of the mind of men, to the extreme prejudice of knowledge, to delight in the specious liberty of generalities."

It has been the purpose of this committee since its inception not to indulge in generalities but to treat our subject as would a laboratory. We feel that this committee will, before it has finished its work, have become acknowledged as a real clinic, and have thoroughly gone into the why's and wherefore's of credit systems, methods and practices. We trust also upon completion of our work that we shall have done something to overcome the habit which causes much of the bad judgment and trouble in the world, that is, the picking of one isolated bit of information and proceeding to construct a general premise from it. We shall have considered from many avenues of approach our entire subject before submitting the finished product of our endeavors to the credit fraternity, and isolated practices, unless meritorious, will be the exception rather than the rule.

Waiver

A negro was arrested and brought before a commissioner for having a still on his premises. He was asked by the commissioner, "How do you plead?" The negro said:

"I pleads guilty and waives the hearing."

"What do you mean, 'Waive the hearing?'" asked the commissioner.

"I means I don't wanta heah no mo' about it."



1935: Credit Interchange Year

Score sheet of collection and sales conditions

State	City	Collections	Sales	State	City	Collections	Sales
Ala.	Birmingham	Good	Good	Nebr.	Omaha	Good	Good
Ariz.	Phoenix	Good	Good	N. J.	Newark	Fair	Fair
Ark.	Little Rock	Fair	Fair		Trenton	Fair	Fair
Calif.	Los Angeles	Good	Good	N. M.	Albuquerque	Good	Good
	Oakland	Good	Good	N. Y.	Albany	Fair	Fair
	San Diego	Good	Good		Binghamton	Fair	Fair
	San Francisco	Fair	Fair		Buffalo	Fair	Good
Colo.	Denver	Good	Good		Elmira	Good	Good
	Pueblo	Good	Good		Jamestown	Good	Good
Conn.	Southington	Good	Good		Rochester	Good	Good
D. C.	Washington	Fair	Good	N. C.	Charlotte	Good	Good
Fla.	Jacksonville	Fair	Fair	N. D.	Fargo	Good	Good
	Tampa	Slow	Fair	Ohio	Cleveland	Fair	Fair
Ga.	Atlanta	Fair	Fair		Dayton	Good	Fair
Idaho	Lewiston	Good	Good		Toledo	Good	Fair
Ill.	Peoria	Good	Good		Youngstown	Good	Good
Ind.	Evansville	Good	Good	Okla.	Oklahoma City	Good	Good
	Fort Wayne	Fair	Fair	Pa.	Allentown	Fair	Fair
	Indianapolis	Good	Good		Altoona	Fair	Fair
	South Bend	Good	Good		Harrisburg	Good	Fair
	Terre Haute	Fair	Fair	R. I.	Providence	Fair	Fair
Iowa	Burlington	Fair	Fair	S. D.	Sioux Falls	Fair	Fair
	Cedar Rapids	Good	Good	Tenn.	Chattanooga	Fair	Good
	Davenport	Good	Good		Knoxville	Fair	Fair
	Des Moines	Good	Good		Memphis	Good	Good
	Sioux City	Good	Good		Nashville	Good	Good
	Waterloo	Fair	Good	Texas	Austin	Fair	Good
Kan.	Wichita	Fair	Good		Dallas	Fair	Fair
Ky.	Lexington	Slow	Slow		El Paso	Good	Good
	Louisville	Good	Good		Waco	Good	Fair
La.	Shreveport	Fair	Fair	Utah	Salt Lake City	Fair	Good
Md.	Baltimore	Good	Good	Va.	Bristol	Good	Good
	Boston	Good	Good		Lynchburg	Good	Good
Mass.	Springfield	Fair	Good		Norfolk	Fair	Good
	Worcester	Good	Good		Richmond	Good	Good
Mich.	Flint	Good	Good		Roanoke	Good	Good
	Grand Rapids	Good	Good	Wash.	Bellingham	Good	Fair
	Jackson	Good	Good		Seattle	Fair	Fair
	Lansing	Good	Good		Spokane	Good	Fair
	Saginaw	Good	Good		Tacoma	Fair	Fair
Minn.	Duluth	Good	Fair	W. Va.	Bluefield	Good	Good
	Grand Forks	Fair	Good		Charleston	Fair	Good
	Minneapolis	Fair	Good		Clarksburg	Fair	Fair
	St. Paul	Fair	Good		Huntington	Fair	Good
Mo.	Kansas City	Fair	Fair		Parkersburg	Good	Fair
	St. Joseph	Fair	Fair		Wheeling	Fair	Good
	St. Louis	Fair	Slow	Wis.	Green Bay	Good	Good
Mont.	Billings	Fair	Fair		Milwaukee	Good	Good
	Great Falls	Good	Good	Hawaii	Honolulu	Fair	Fair
	Helena	Fair	Good	(Because of distance, Honolulu report is for October)			

Collection and sales comments:

Birmingham, Alabama, informs us their collections are just about up with sales. They were lagging for the past few months owing to the sale of harvest. As to the sales in that area, manufacturers are operating on a greater percentage of capacity than has been in several years. Heavy industries are operating at about 65 percent of capacity . . . Collections are good in Phoenix, Arizona, due to the great increase in the cash in circulation. There has been much development in the way of road construction. However, it would be much better, if it were not for the enormous increase in living costs. Prices on almost everything are reported to have increased materially. Sales in Arizona, on which sales-tax was paid, were \$18,438,495.99 in September or 1½ millions greater than for August. The October sales

were considerably above September . . . The season in Jacksonville, Florida, is late in starting. There is only a very slight seasonal improvement so far . . . Retail sales in South Bend, Indiana, have shown an increase since the new cars are in production . . .

Summary

This month:


Collections:	Sales:
Good 51	Good 59
Fair 43	Fair 35
Slow 2	Slow 2

Last month:

Collections:	Sales:
Good 44	Good 52
Fair 41	Fair 34
Slow 6	Slow 5

The farmers in Sioux City, Iowa, are not selling their stock or grain because they are expecting higher prices . . . The weather in Louisville, Ky., has retarded retail sales to a certain extent but their sales are generally 10 percent above last year. The outlook is good . . . Due to prolonged warm weather as well as short crops in some vicinities of Shreveport, Louisiana, many wholesale and retail merchants have not up to this time enjoyed the sales which have been anticipated for this Fall. On the other hand, building and improvements to property seem to be fairly active and, at the same time, oil development and exploration continues. Banks throughout this whole section are as a whole reporting increased deposits over the same period for last year. Their collections have not been as good as had been anticipated for this season . . . Furniture and metal industries are going strong (Continued on p. 30)

ABC of the AAA amendments

 Broadly speaking, the Act of August 24, 1935, has two purposes: I. To insure the constitutionality of the Agricultural Adjustment Act in the light of Supreme Court decisions; II. To strengthen, clarify, and correct the legislation authorizing the farm program in the light of the experience gained since its inception.

I. Constitutionality. To insure the constitutionality of the Agricultural Adjustment Act, three things are done:

(1) The authority of the Secretary of Agriculture is defined and limited in great detail so that it shall be unmistakable that Congress is not delegating to an administrative officer powers vested only in the legislative branch of the Government (2) The operation of the Act is rigidly limited to interstate commerce, and the interstate commerce clause is redefined to bring it in line with language previously used by the Supreme Court in decisions on this question. At the same time definite provision is made for co-operation of the Federal Government and the State governments where this is advisable to make a program effective; (3) All previous and existing taxes, benefit payments, contracts, instituted prior to the adoption of the amendments, are legalized and ratified by Congress.

II. Strengthening and Clarifying the Act. Changes made in the Act in order to strengthen, clarify, and correct the farm program may be grouped under 9 headings: (1) The parity price or fair exchange value of farm products is modified somewhat by adding mortgage interest rates and tax rates as factors in computing this price; (2) In connection with basic commodities, payments are authorized for other purposes than rental or benefit payments, namely for: (a) Removal of surpluses; (b) Expanding domestic or foreign markets; (c) Production under a domestic allotment; (3) Tax rates and tax procedure are spelled out in greater detail, with 3 objects: (a) Insuring flexibility so that rates may be adjusted to fit market conditions; (b) Smoother operation; (c) Specifying the procedure for refund and recovery of taxes; (4) The Ever-Normal Granary plan for storage of certain crops on the farm as insurance against shortages and violent price swings is

incorporated in the farm program; (5) Provision is made for control of competing imports when they jeopardize the success of a program; (6) The procedure for marketing agreements is spelled out in great detail to clarify and strengthen this method. Notable under this head are: (a) Change from "licenses" to "orders" as the means for enforcing marketing agreements among handlers; (b) Provision for putting orders into effect without consent of a majority of handlers under certain carefully defined circumstances; (c) Legal safeguards for handlers in the form of petition and court review; (d) Authority to examine books and records of handlers under certain circumstances; (7) Changes are made in certain provisions for specific commodities: (a) Cotton—Amendments to the Bankhead Act and to provisions of the Agricultural Adjustment Act dealing with cotton option contracts and the cotton pool; (b) Tobacco—Amendments to Kerr-Smith Act; (c) Barley—Tax rate specified; (d) Sugarbeets and sugarcane—Adjustments in taxes and payments; (e) Rye—Tax imposed and rate specified; (8) In the provisions for protection of the consumer's interest, it is specified that nothing in the Act shall be interpreted as authorizing maintenance of prices about parity levels; (9) Miscellaneous provisions in the amendments cover the following points: (a) Encouragement of producer cooperatives; (b) Appropriation of funds for elimination of diseased cattle; (c) Organization of the hog cholera serum industry under a marketing agreement; (d) Appropriation of funds to carry out existing options for purchasing of sub-marginal lands; (e) Appropriation of 30 percent of the annual receipts from customs duties, to stimulate agricultural exports and domestic consumption and to finance production adjustments.

Health

The belief that the physical well-being of the American people has not suffered during the depression has been fostered by the continued low death rate. However, a recent study by the United States Public Health Service on the effect of reduced incomes upon sickness in 10 localities shows that when the sickness data are compared on the basis of changed economic status the highest illness rate was found in the group hardest hit by the depression.


Commodity prices

(Cont. from page 7) a millstone on our necks when the next crisis occurs.

For the last hundred years our government has been seeking to cure economic depressions, by means of tariff legislation, changes in the banking laws, purchases of silver bullion, and numerous other schemes. It has been vowed repeatedly that each economic crisis was to be the last; yet they have recurred. Federal regulation of the railroads was an outgrowth of the depression of the seventies. Now, after nearly fifty years of federal regulation, look at the plight of the railroads! The Roosevelt program has some novel features and is vastly more expensive than anything undertaken heretofore, but as a matter of fact, it is not primarily a program for curing economic depressions. It is rather an adventure in social experimentation, pushed through in the fervor of an emergency, as the Prohibition Amendment was pushed through in 1918. This program has some good features. It also has many other features that the country can ill afford to try at this time.

In all its ramifications, this subject is an endless one. I shall refrain, however, from a discussion of the futility of trying to stabilize prices and many other related topics. My time allotment does not permit me, furthermore, to go into a discussion of sound means for lessening the severity of our economic ups-and-downs. As I have indicated, however, retail merchants and other business men now face a situation in which after a further pick-up in business a gradual rise in prices is to be expected, to be followed by faster and faster advances, until several years hence we have another wild boom. If that situation is understood, the keener business executives will be prepared for the aftermath.

In conclusion, I will state that I am optimistic enough to believe that some of the direst dangers in the present situation may be avoided. I still have faith in the common sense of the common people of this country. They know, deep down inside, that Santa Claus cannot come down the chimney every night. They also know who pays Santa Claus' bills.

 And then there was the futuristic painter who used a model with the hiccups.

Collection-sales survey

(Cont. from p. 28) in Grand Rapids, Michigan. They are much encouraged by the decided improvement in furniture, which is a basic industry, reflecting the purchase of goods by substantial people . . . Delinquent accounts in Binghamton, N. Y., are being gradually reduced. At the same time these accounts are paying cash for current requirements. There has been a satisfactory increase in their sales over last year for the same month and period . . . A convention of 12,000 school teachers was recently held in Charleston, W. Va., a city of 65,000 people. This just about swamped the town. Practically all of the merchandise the local merchants had for sale was bought out. The settlement of the coal strike is helping their trading area.

Local Wife—I notice by a Wall street item that the bulls have stopped fighting the bears.

Husband—Yes, they both have all they can do, fighting the wolf at the door.

—“Modern Finance.”

“Grass roots” antecedents

In his “Life of John Marshall,” published in 1929, Albert J. Beveridge used “grass roots.” In the first chapter Mr. Beveridge remarked that John Marshall and Thomas Jefferson came from a very remarkable parentage: that Jefferson’s mother and Marshall’s grandmother were first cousins, that Thomas Jefferson’s mother was Jane Randolph of the Isham Randolphs of Turkey Island. “So when Jane Randolph became the wife of Peter Jefferson, a man from the grass roots, the result was Thomas Jefferson.”

After Lincoln’s arrival in Washington in February 1861, he had a talk with delegates to a conference being held at the time he arrived. During the reception held by Lincoln, William E. Dodge, one of the delegates, addressing Mr. Lincoln, said the whole country in great anxiety was awaiting Mr. Lincoln’s inaugural address, and then added: “It is for you, sir, to say whether the whole Nation shall be plunged into bankruptcy; whether the grass shall grow in the streets of our commercial cities.”

“Then I say it shall not,” replied Lincoln. “If it depends on me the grass

WHOLESALE

Simplify Collection Problems—use
1 to 5 COLLECTION SYSTEM

New — Tested — Effective

Complete kit—5000 pieces and Instructions
\$37.50 or write for Prospectus & Proven
Experience.

Box 263—Back Bay Sta., Boston, Mass.

will not grow anywhere except in the fields and meadows.”

“Then you will not go to war on account of slavery?” continued Mr. Dodge.

“With the support of the people and the assistance of the Almighty I shall undertake to preserve, protect, and defend the Constitution of the United States. The Constitution will not be preserved and defended until it is enforced and obeyed in every part of every one of the United States. It must be so respected, obeyed, enforced, and defended. Let the grass grow where it may.”—“Kablegram.”

It was March 12, 1838 that Daniel Webster said:

“There are persons who constantly clamor. They complain of oppression, speculation, and pernicious influence of accumulated wealth. They cry out loudly against all banks and corporations, and all means by which small capitalists become united in order to produce important and beneficial results. They carry on mad hostility against all established institutions. They would choke the fountain of industry, and dry all streams. In a country of unbounded liberty, they clamor against oppression. In a country of perfect equality, they would move heaven and earth against privilege and monopoly. In a country where property is more evenly divided than anywhere else, they rend the air shouting agrarian doctrines. In a country where wages of labor are high beyond parallel, they would teach the laborer he is but an oppressed slave.

“Sir, what can such men want? What do they mean? They can want nothing, sir, but to enjoy the fruits of other men’s labor. They can mean nothing but disturbance and disorder, the diffusion of corrupt principles and the destruction of the moral sentiments and moral habits of society.”

Teacher—And, now, boys and girls, we see that nothing is impossible.

Voice (from the rear)—It isn’t, eh? Well, I’d like to see you stick an umbrella down your throat and then open it.—The Life Aetena-izer.

“PROOF of the PUDDING . . .”

..... IS A TIME-PROVED ADAGE . . . THAT’S WHY WE’RE PARTICULARLY PLEASED BY THE FOLLOWING COMMENT IN A LETTER FROM A MEMBER OF THE ASSOCIATION ACKNOWLEDGING A SERVICE RECEIVED FROM THE WASHINGTON SERVICE BUREAU:

“I feel that the service you have rendered us was worth far more than our yearly subscription to the association. In fact this service is one of the best ever put out for our class of trade, in my opinion.”

..... THIS MEMBER OF THE NATIONAL ASSOCIATION OF CREDIT MEN—AND SCORES OF OTHERS—HAVE PROVED THE VALUE OF THIS NEW WASHINGTON SERVICE BY USING IT

Washington Service Bureau

National Association of Credit Men

755 Munsey Building Washington, D. C.

C. F. BALDWIN, Manager

NEWS ABOUT CREDIT MATTERS

A Section Devoted to Association Affairs

Get a Member
in December

DECEMBER, 1935

Save on Losses
With Interchange

Pittsburgh Vies With Detroit in Class A Contest

New York, Chicago to Battle for Prize; Seattle Tops "B's"

While the records for November had not been checked as this was being written, every indication pointed to the largest increase in membership during November that has been recorded in the past several years.

Up to November 1st, forty-three associations have shown a net gain; thirty-seven have maintained the same membership they had on May 1st, but thirty-nine have shown a loss.

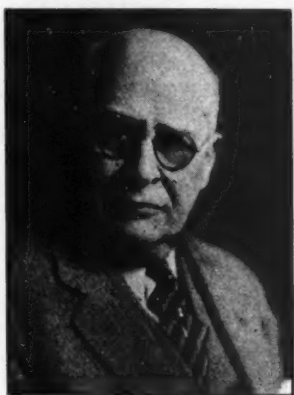
In the race for the association membership cup, Pittsburgh and Detroit so far are staging a neck-and-neck race for Class A honors, with New York and Chicago still well up in the running. In Class B, Seattle is out in the lead, with Minneapolis and Cleveland only a few points behind. Cincinnati is in the lead so far in Class C with a gain of about 10%, but not far enough ahead of Omaha and Indianapolis to be able to rest on their oars. Rochester is now in full swing on a well planned membership campaign which should carry on during the late winter months. Rochester is one of the associations using copies of Credit and Financial Management as monthly mailing pieces to a considerable list of prospects.

A football team contest is working out well in the Minneapolis area under the direction of Joe McBrien, Chairman of the Membership Committee.

Sioux City, Iowa.—The Interstate Association of Credit Men shows an increase of 20% in membership as a result of an active campaign now being carried out under the direction of Louis Motz of Armour and Company as Chairman of the Membership Committee. Both Mr. Motz and W. G. Nelson, Livestock National Bank, President of the Sioux City Asso-

(Continued on page 32)

W. E. Rice, Former Cleveland Prexy, To Retire Jan. 1



Cleveland, Ohio.—On January 1st, W. E. Rice will retire from long activity in various credit executive positions. Latterly he was in charge of the Credit Department of the Cleveland office of the Graybar Electric Company.

Mr. Rice was one of the organizers of the Adjustment Bureau of the Cleveland Association of Credit Men. During his connection with that bureau, he learned much about the mistakes common in the conduct of business and involving a variety of such things as incompetent management, wrong business practices, poor merchandising methods, lack of cost accounting systems, and lax credit and sales policies.

Mr. Rice has been a leading figure in Cleveland civic life, having been a member of the Chamber of Commerce for a number of years; also a member of the Electrical League, the Purchasing Agents Association, having served as Vice-President and a member of its board; the Rotary Club, where he was chairman of the committee on vocational service; for ten years a member of the Community Fund, and during the past year was president of the Cleveland Association of Credit Men.

"Pop" Rice has a wide circle of friends in the credit and business fraternity who wish him God Speed in any new business activity in which he may engage.

National Credit Methods Committee to Hold Its Sessions in St. Louis, Mo.

Discussions of Important Group Headed by F. J. Hamerin to Center on Improvement of Credit Interchange Service as Best Aide for Credit Executives

Henry H. Heimann Addresses Large Oklahoma Group

Oklahoma City.—The Oklahoma City Chamber of Commerce and the Oklahoma Wholesale Credit Men's Association heard Henry H. Heimann, Executive Manager of N. A. C. M. on November 1st, discuss some of the present business situations which he pointed out might have a retarding effect on commercial progress. He warned of the mounting tax load and public debt and pointed out that business will be called upon to pay two billion dollars in a year in new taxes because of some of the current spending programs in various governmental agencies.

At the sessions held in Oklahoma City, R. E. Cole, President of the Dallas Association and Homer Fox, President of the Wichita Association and D. S. Dodson, President of the Waco Association were visitors.

Richmond, Va.—The Richmond Association of Credit Men turned out in large numbers on November 21st to hear Executive Manager Henry H. Heimann.

A special effort was put forth by Secretary John Abernethy for this meeting to have corporation executives attend the dinner as guests of the credit manager.

The first meeting of the National Credit Methods and Practices Committee for the current year has been scheduled for the month of December. The meeting will be held in St. Louis, Missouri.

F. J. Hamerin, Lilly Varnish Company, Indianapolis, Indiana, Chairman of the Committee and member of the Board of Directors of the National Association of Credit Men, will preside at the meeting.

Those alert to developments in the field of credit information are well aware of the unusual appraisals which have been made of all types of credit service during the past few months. There is a general belief that many changes are in the offing. During the past year the Committee made a careful study of present-day credit service. Undoubtedly, it will further those investigations at the coming meeting.

It can be confidently anticipated that a first reaction to the December meeting of the Committee will be a further refinement of Credit Interchange Service which the Committee has previously approved as the most practical, effective, and economical medium for the exchange of ledger experience information between creditors.

The Board of Directors of the National Association of Credit Men placed its stamp of approval on the primary recommendation made by the Committee last year at its meeting in Pittsburgh in June, where it adopted a Resolution to the effect that best results to all

creditors would accrue when there was a single medium for the exchange of ledger experience information; that their Credit Interchange organization was the logical medium for that exchange. With this endorsement of the National Board as a background against which to develop its program, it is to be expected that after its December meeting this important Committee will have further suggestions and recommendations to make to the credit fraternity, the purpose and goal of which will be better, sounder credit.

It can be safely assumed that the Committee will predicate its activity on the basic principle that better credit can only result from a better understanding of the vital part the credit department plays in the modern business organization; that greater recognition must be accorded the man who handles the credits of the business; that there must be a reappraisal of his true position in the business family; that his ability to properly safeguard the credit interests of his organization is predicated upon his having sufficient authentic, factual credit information to permit him to exercise his own individual judgment in the capacity of an executive of his organization; that he cannot be relegated to the position of a clerical employe expected to act upon and be guided by the opinions, recommendations, or appraisals of outside parties.

Waterloo, Ia. — Congressman John W. Gwynne of this city was the main speaker at the November 1st meeting of the Waterloo Chapter of the National Association of Credit Men. Congressman Gwynne talked about the Social Security Act. E. V. Zearley, president of the Waterloo Chapter, presided, and V. A. Zellhoefer, a past president, introduced the speakers.

NAMED TREASURER



George J. Posner, president of the Industrial Container Corporation, Brooklyn, N. Y., announces that Mrs. Helen A. Maycrink has been elected Treasurer and a Director of that company. Mrs. Maycrink was connected for a number of years with the International Paper Company and its subsidiaries. For the past twelve years she was Assistant Treasurer of the International Paper Company and Southern Kraft Corporation. She has a wide acquaintance in the paper trade and is particularly well known in the corrugated box industry. She has gained a nation-wide reputation as an expert on credits, and is outstanding as the only woman to have ever been elected to the Board of Directors of the New York Credit Men's Association, which office she still holds.

Credit Interchange Is Your Own Service

Leads Exporters

W. S. Swingle, director of the Foreign Department, National Association of Credit Men, acted as chairman of the special session on foreign credits at the National Foreign Trade Council Meeting held at Houston, Texas, on November 20th. This meeting was one of the largest held by the Foreign Trade Council in several years, owing to the increased interest along American manufacturers in foreign sales possibilities.

Twin City "C" Men Hear David A. Weir at Big Dinner Meet

Twin City, Minn.—The annual joint dinner meeting of the St. Paul and Minneapolis Associations of Credit Men was held on Tuesday, November 19th, at the Minnesota Club. Assistant Executive Manager David A. Weir was the main speaker. Mr. Weir's subject was "Bootstrap Economics."

This annual gathering of the Twin City Associations is now one of the traditions of the credit fraternity in the northwest and this year's meeting was attended by a large number of credit executives from both cities.

Dallas, Texas.—David A. Weir, Assistant Executive Manager of N. A. C. M., was the speaker before the October 29th meeting of the Dallas Association of Credit Men held at the Jefferson Hotel. Mr. Weir based his talk on the idea that sound credit must be the basis for real recovery. He warned of the danger of repeating many of the mistakes from the boom days which brought such tragic consequences because of the pyramiding of credit in trade operations.

Pittsburgh Vies With Detroit in Class A Contest

(Continued from page 31)
Pittsburgh, Pa.—The membership committee of the Pittsburgh Association of Credit Men has plans for a continuance of the membership drive during December and January. This organization is up to win one of the first prizes at the next Convention.

Omaha, Nebr.—The membership committee of the Omaha Association of Credit Men opened its drive for new members at a special noon meeting held on November 21st. The Omaha Association is offering a prize of \$125.00 toward the expenses connected with a trip to the National Convention in Richmond next year to the member bringing in the largest number of applications between this date and the end of April.

Boston, Mass.—War is the slogan of the membership committee of the Boston Association. The membership committee has been divided into two armies with a general staff on each side. Secretary J. M. Paul is general field-marshal of these extensive operations.

President Haight Returns to Desk

P. M. Haight, President of the National Association of Credit Men returned to his home shortly after the middle of November after spending several weeks at Doctors Hospital, New York, where he had an emergency operation. Mr. Haight is well on the road to recovery after the operation and is expected back at his desk as Treasurer of the International General Electric Corporation shortly.



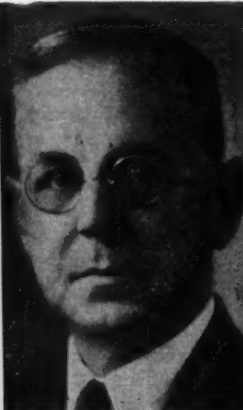
E. R. Patterson,
Pres. Richmond A.C.M.



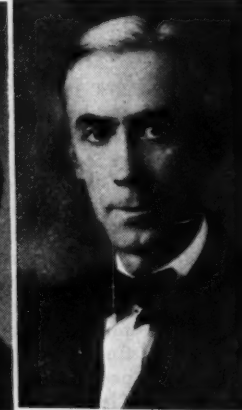
C. S. Pensom,
Convention Chairman



Alvin M. Smith,
Chairman Entertainment



Walter A. Williams,
Registration Chairman



J. F. Wood,
Program Chairman



John P. Abernathy,
Sec'y Richmond A.C.M.

The Richmond Association of Credit Men, host for the 1936 N. A. C. M. Convention, is already making very definite plans to entertain the visiting delegations according to the traditions of

typical southern hospitality. The group of men shown in the above pictures constitute the executive committee of the convention. The convention will open in Richmond on June 8th.

Start Drive on Nuisance Suits in State of N. Y.

One of the subjects discussed during sessions of the Tri-State Conference held in New York City was a consideration of methods of discouraging unnecessary and vexatious legislation generally known as nuisance suits. This subject was presented by Mr. A. Rothschild of Weiss & Klau Company, New York, who is chairman of a special sub-committee of the Legislative Board of the New York Credit Men's Association, which has this particular matter in hand.

The facts presented by Mr. Rothschild at the Tri-State Conference aroused so much interest that members of the New York Association have authorized a continued effort on the part of the general legislative committee of that Association and also of Mr. Rothschild's sub-committee, looking towards this sort of legislation at the next session of the New York State General Assembly.

It was pointed out by Mr. Rothschild in his report to the Tri-State Conference, that the dockets of many of the courts in greater New York are crowded with what might be called nuisance litigation. He made it a point in his discussion that the time had arrived when it seemed quite necessary to have a preliminary hearing arranged so as to determine whether or not many cases should be permitted to find a place on the regular court docket.

New Jersey Credit Men Praise Referee Beach

Newark.—The members of the New Jersey Association of Credit Men at their last dinner meeting in October unanimously voted resolutions of respect and appreciation to Honorable George R. Beach, who for twenty-six years has served as Referee in Bankruptcy in the Newark Federal District.

The action was taken as a compliment to the excellent service Referee Beach had given in a number of cases affecting the interests of members of the New Jersey Association.

Mr. Beach recently resigned as Referee, having decided to retire from active business life.

Muskegon, Mich.—The Muskegon Chapter of the National Association of Credit Men opened its year's work on November 7th at a large dinner meeting. Arthur Woodhouse of Grand Rapids was the principal speaker. A large number of credit men from the Grand Rapids Association, headed by Secretary Edward De Groot, attended the meeting.

Credit Career



Val F. Kimbel will be remembered as the President of the Louisville Association of Credit Men in 1927 when that memorable National convention was held in the Kentucky metropolis—the one at which Mr. Tregoe's twenty-fifth anniversary was celebrated. The subject of this sketch has been a "stand-by" in the work of the Louisville association for several years and has carried through a number of assignments in the work of the National Association. He is at present an active member of the National Bankruptcy and Legislative committee and also is a member of the National Credit Methods and Practices committee.

Born in Crescent Hill, a suburb of Louisville, Kentucky, on July 21st, 1888 and has resided continuously in that section of the city his entire life. Attended the public schools of Louisville and graduated from the Louisville Male High School in 1906. After completing a business course at the Spencerian Commercial School, was employed

for a short time by the Drummond Manufacturing Company and later in the office of the General Baggage Agent of the Louisville & Nashville Railroad.

He studied law in the office of local attorneys. Was employed for approximately ten years as auditor and in various capacities in the Trust Department of The Louisville Trust Company handling tax matters and reports. Left the Trust Company in 1918 to continue his study of Federal Taxes as an Internal Revenue Agent. Accepted a position in 1919 with Ballard & Ballard Company, the world's largest soft winter wheat flour mill located at Louisville.

Mr. Kimbel became the Secretary, and a director of that company, and is now holding that position. In his capacity as Secretary, he is in charge of all legal and tax matters in the operations of his company at Louisville and its many branches throughout the Southeastern States. He has been chief accountant and has been credit executive of the company for the last fifteen years.

He has been an active member of the Optimist Club of Louisville for many years, especially in the affairs of the Big Brother Fund for the assistance of underprivileged children; member of Louisville chapter, National Association of Cost Accountants, also being a director of that organization for many years, and is an active member of the Crescent Hill Methodist Church.

He was married on July 10th, 1913 to Grace Furay of Dayton, Ohio, and they have two sons, one in the University and the other in the public schools of Louisville.

Death of Miss Griffin is Mourned by Credit Women

Rochester, N. Y.—The death on November 1st of Miss Katherine Griffin is mourned by a large circle of friends in Rochester and the National Credit Women's Group. Miss Griffin was chairman of the Rochester Credit Women's Group for an extended period. She was affiliated for many years with the Rochester Electric Supply Co., Rochester, N. Y.

Her appointment as a member of the Women's Committee for the Eastern Division by Mr. Tregoe in 1926 brought her in close touch with the national activities of credit women throughout our section.

She was amongst those women who attended the first conference held in New York at the Vanderbilt Hotel on December 1st, 1926.

Wausau, Wisc. Group to Organize New Chapter

Wausau, Wis.—Forty members and friends of the Northern Wisconsin Michigan Association of Credit Men from the Wisconsin Valley held a meeting at the Hotel Wausau, Wausau, Wis., on Tuesday evening, November 19th. Mr. W. H. Burhop, Secretary of the Employers Mutuals, Wausau, Wis. spoke on "Unemployment Insurance". Mr. D. M. Heywood, of the Wisconsin Public Service Corp. at Wausau, chairman of this group presided. Firms from Stevens Point, Merrill, Owen and Wausau were represented at the meeting.

This is the second of a series of meetings planned by this group who will, in the future, be known as the Wisconsin Valley Chapter of the Association.

New Englanders Hold Big Meet At Worcester

Worcester, Mass.—The New England regional conference of the National Association of Credit Men was held at Hotel Bancroft in Worcester on November 14th with upwards of 125 credit executives from various New England cities in attendance.

An informal gathering of the credit executives was held on the night of November 13th. Joseph R. Garrison was chairman of the entertainment committee and was master of ceremonies at the evening session on November 13th. William Bishop, Jr., was general chairman of the entertainment committee. Paul Fielden of the Norton Company, Eastern Regional Vice-President of the National Association, presided at the conference sessions.

Kenneth H. Campbell, service manager of the Foreign Credit Interchange Bureau, N. A. C. M., spoke on "Adequately Analyzing Foreign Credits." Charles F. Baldwin, manager of the Washington Service Bureau, N. A. C. M., discussed legislative prospects in 1936. At a joint luncheon of the credit men with the Rotary Club at noon, Executive Manager Henry H. Heimann spoke on the "Future of Prosperity."

Osborn W. Bullen of Boston, a director of N. A. C. M., assisted Vice-President Fielden in presiding at the afternoon sessions of the conference.

T. Eton Company Warns of Importer Posing as Buyer for Toronto Firm

Chicago, Illinois.—A man representing himself as T. Eton, or Harry Eton, has obtained samples of merchandise from several large companies in the Chicago area upon his representation that he is a buyer for the T. Eton Company of Toronto, Ontario.

The T. Eton Company, in response to an inquiry sent out by the Chicago Association, informed the Chicago companies that all buyers for the big Toronto retail and mail-order house have definite identification cards and that every person attempting to credit himself as a buyer for the Eton house should be required to show one of these identification cards.

Baltimore, Md.—The Baltimore Association of Credit Men is operating a Bowling League this year consisting of six teams of men and four teams of ladies. These teams meet each week and it has been found that the social gatherings add to the interest of the members in the association.

New York Court Rule Is Against Fair Trade Law

New York, N. Y.—Supreme Court Justice F. P. Close in a suit brought by Doubleday, Doran and Company against the R. H. Macy and Company decided that the New York fair trade act is unconstitutional.

Justice Close said in his decision "loss leaders are designed to attract customers and are no more destructive of competitors than are other forms of advertising. Unless the courts are prepared to hold that by placing his brand upon a commodity the producer retains a property right in that commodity until it reaches the hands of the consumer so that it may fix its price at every stage of distribution. This statute must fall."

The decision by Justice Close, it is understood, will be carried to the United States Supreme Court for a final interpretation.

Curtis R. Burnett Is Named a Freeholder of Essex County

Newark, N. J.—Curtis R. Burnett, president of the American Oil & Supply Co., and a former president of the National Association of Credit Men, recently received a signal honor in his home community when he was named a member of the Board of Freeholders.

This Board of Freeholders directs the financial operations of Essex County, one of the wealthiest communities in central Jersey.

Mr. Burnett will act as chairman of the Finance Committee and as such will have the important job of preparing the budget appropriations for 1936.

Heads National Group for Study of Accidents

Executive Manager Henry H. Heimann has accepted the chairmanship of a special committee appointed by President Roosevelt to campaign against the mounting tide of accidents. Mr. Heimann's committee will make a special study of Causes and Remedies. Other groups will make a study of such subjects as Safety at Sea, Safety in Air, Urban Street Safety and Rural and Home Accidents. It was pointed out by President Roosevelt in appointing these special committees that more than 100,000 accidental deaths were recorded in 1934 and that present records indicated that the mark for 1935 might be higher.

Credit Career



E. W. Budke, of Curtis 1,000, St. Paul, where he supervises the accounts of many thousands of buyers of envelopes, is a strong believer in the importance of good will between buyer and seller in all trade relations. Mr. Budke is convinced that every action in the credit department should be so directed that the good will of the customer will not be jeopardized. One of his friends asked Mr. Budke how he would act with an account that seemed to refuse to pay. His reply was to the effect that it is the job of the credit manager to keep the number of these "dead beat" accounts down to the minimum.

Describing his credit policy further Mr. Budke is quoted as saying: "In the handling of embarrassed open ledger accounts, the best results can be obtained by retaining to the end the mutual understanding existing between buyer and seller at the time the original contract was made, keeping in mind always that more than 99% of buy-

ers are honest and with good intentions. When maturity date discloses that the buyer cannot pay, although he may desire to do so, then close the account with the same mutual understanding that initiated the contract, avoiding all threats of legal procedure. The goodwill thus engendered builds for the future and establishes a reputation for fair dealing that eliminates many difficulties."

Edward W. Budke was born at Le Sueur, Minn., and received his education at the Le Sueur high school. His first business experience was with the Kodak Stores Corp. Later he joined the office staff of Curtis 1,000 and for several years has been the credit executive of this big plant which has customers in all parts of the nation.

Mr. Budke has made a close study of credit and collection methods and is said to have developed a most efficient system for handling the great number of accounts which flow through his department each year.

The subject of this sketch is one of the best known credit executives in the Northwest. For years he has been active in the affairs of the St. Paul Association of Credit Men. He has faithfully executed several assignments for his own association and also for the benefit of N. A. C. M. as well. He served as President of the St. Paul Association in 1932.

Mr. Budke's hobby is fishing. While he enthuses over the angling opportunities afforded by the lakes of Northern Minnesota, he will talk to you by the hour about the thrill of trout fishing in the Montana Rockies.

Rochester Starts 4 Educational Classes

Rochester, N. Y.—Four educational courses were started by the Rochester Association during November. A class in credit and collections under V. W. Lyon as instructor began its work on November 12th. Another class in financial statement analysis under the direction of A. F. Janus began work on November 15th. And an advance group on credit problems held its first meeting on November 18th. A course in public speaking with Herbert Gaylord as instructor is meeting each Friday evening.

Grand Rapids, Mich. — The Grand Rapids Association of Credit Men heard a description of the Wagner Labor Bill from Francis L. Williams at its luncheon meeting on November 14th.

William Tonks Talks At Syracuse Dinner

Syracuse, N. Y.—William Tonks, of the Reconstruction Finance Corporation, addressed the Syracuse Association of Credit Men on Tuesday evening, November 12th. Mr. Tonks told of many of his experiences in analyzing applications for loans filed with the Reconstruction Finance Corporation, and pointed out some of the dangers in the present day general credit situation. Mr. Tonks has been a close student of credit matters. He was a former national director of N. A. C. M.

The Credit Woman's Group of the Grand Rapids Association will hold open house to the entire membership at its December meeting, which is designated as a Christmas Party.

New Zebra Herd At New Orleans Leads Gay Dance

The autumn dinner-dance of the New Orleans Credit Men's Association, held in the newly re-decorated Florentine Room of the Jung Hotel on Saturday night, November 9th, was largely attended.

The affair got under way with a flying start. President R. L. Simpson introduced the Herd of Zebras comprising

G. E. Brister—American Sugar Refg. Co.

H. J. Fremaux—Standard Sanitary Mfg. Co.

Peter Jung, Jr.—Crescent Bed Company.

D. H. McCooe—Loose Wiles Biscuit Co.

J. A. Monier, Jr.—Wesson Oil and Snowdrift Sales Co.

R. A. Piske—Jaubert Brothers and Co.

W. W. Pope—Hibernia National Bank in New Orleans.

R. L. Simpson—C. T. Patterson and Company.

A. P. Spaar—Woodward Wight and Company.

W. B. Lathrop—Armour and Company.

F. L. Lozes and Chas. G. Cobb—N. O. C. M. A.

Considerable interest was manifested in the Herd, particularly by the ladies, who used all of their persuasive powers to separate the Zebras from their official caps and emblems.

It is certain that President Simpson, as well as Zebras Piske, Fremaux and Lozes were among the casualties.

Seldom has an event of that character moved so quickly. Everyone thoroughly enjoyed the dance and had a splendid time.

Business Crimes Lead Prosecutor Declares

"The largest number of criminal acts are committed against business, and usually by persons engaged therein," said Assistant District Attorney James J. Wilson, in a recent address before the Women's Group of the New York Credit Men's Association at their November dinner meeting.

Mr. Wilson pointed out further that commercial bribery was one of the most flagrant offences found in business today. He told of a case in court now pending where a manufacturer seduced an employee of a competitor to sell the secret of his employer for a large sum.

He also warned against the general practice of giving gratuities to buyers in large commercial organizations.

4 Convictions Recently Added To Fraud Score

Two convictions on charges of having violated the U. S. Postal Laws by mailing false financial statements and two cases on charges of concealment of assets in bankruptcy matters are among the recent convictions obtained by Federal Authorities. In each of these four cases the information was first presented to the Federal Authorities through the Fraud Prevention Department of the National Association of Credit Men.

Abraham Krantzman operating as the Textile, Inc., Providence, R. I., was convicted on false financial statement charges and sent to prison for a year and a day. Krantzman died in prison shortly after his sentence started. Joseph J. McElroy and Morris Philips operating as Litty & McElroy, Inc., also were convicted on charges of having mailed false financial statements.

Irving Klein received a sentence of eighteen months in a New York City case and Elias Leidner and Louis Shapiro were convicted in a Philadelphia case on indictments charging concealments of assets in violation of the National Bankruptcy Act.

According to the records of the Fraud Prevention Department of the National more convictions on commercial frauds have been obtained in the textile fields than in any other line of trade. The general merchandise field is second with clothing and food about on an even basis. During the period from January 1st, 1932 to October 31st, 1935, 282 convictions have been obtained on commercial fraud charges through the efforts of the Fraud Prevention Department. Of this number seventy-two were scored in the textile trade, fifty-five in the general merchandise line, thirty-nine in the clothing lines, and thirty-six in the food lines. The next largest number of convictions came from the furniture trade.

At the present time, approximately sixty-three cases are under active investigation by the Fraud Prevention Department.

CLASSIFIED ADS

CREDIT EXECUTIVE AVAILABLE
Seven years experience all phases credits and collections. Well educated, having specialized in subjects pertaining to accounting, law, credits and collections.

Can develop efficient, smooth running department using modern methods designed to take guess work out of the extending of credit. Capable of assuming position that requires responsibility, initiative, and tact.

Age 31, married. Willing to locate any section eastern part of United States. Reply Box No. 4, care Credit and Financial Management.

Richmond A.C.M. Is Granted Appeal on Decision Against Lay Agencies

Richmond, Va.—The Virginia Supreme Court of Appeal will pass on the rulings recently made by a Richmond judge on the suit of the Richmond Bar Association to restrict lay collection agencies from acting as an agent for a credit client in collection suits.

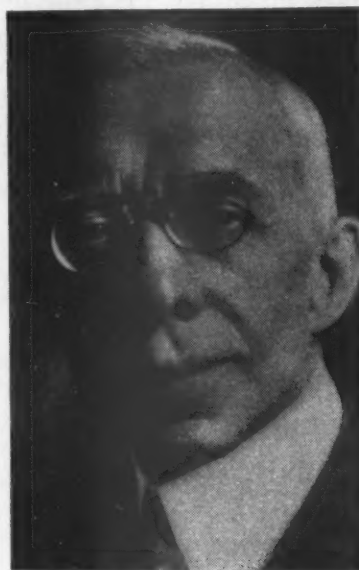
The decision of Judge Sutton of the Richmond bench bars collection agencies from resorting to legal process in collecting a claim. Under Judge Sutton's decision the lay agencies would have to return claims to their clients if they were unable to obtain collections without legal action.

This appeal will be followed with considerable interest in all parts of the United States, as it will set up a legal precedent on this much discussed point of collection practices followed by lay agencies.

Former Natl. Director S. C. Greusel, is Dead

Milwaukee, Wis.—Sylvester C. Greusel, manager of the Milwaukee branch of the General Electric Supply Corporation died on November 9th. Mr. Greusel was nationally known in credit circles and was president of the Milwaukee Association during the two year term of 1924 and 1925. From 1926 to 1929 he was a national director of N. A. C. M. Mr. Greusel was an outstanding figure in the Milwaukee Association taking part in many of the activities from the time he became a member.

Philadelphia Mourns Death of W. P. Miller



Philadelphia, Pa.—Members of the Credit Men's Association of Eastern Pennsylvania mourn the death of Walter P. Miller, a former president of the Philadelphia Association from 1925 to 1927.

Mr. Miller was president of the Walter P. Miller Company, Inc., a paper box firm at 452 York Avenue, Philadelphia.

Mr. Miller was a member of the Union League Club, the Poor Richard Club, the Friends of the American Revolution, and the Exchange Club of Philadelphia.



The above picture shows a group of officers of the New Jersey Association of Credit Men at the time a resolution was presented to Mayor C. Ellenstein, Mayor of Newark, for his work in retaining the airport at Newark as an important air travel center. The men in the picture are: Mayor Ellenstein, John F. Berg, National Oil & Supply Company, and chairman of the meetings committee of the Newark

Association; E. R. Mellen, of the Weston Electrical Instrument Corporation and past president of the Newark Association, now chairman of the finance committee; R. M. Ryan, R. C. A. Radiotron Division, president of the Newark Association; Hampton Auld, Jr., Hampton Auld, Inc., and vice-president of the Newark Association and William H. Whitney, secretary-manager of the Newark Association.

California High Court Confirms Assignment Rule

San Francisco, Calif.—A decision handed down by the California Supreme Court listed in 128 California 473, under the title Cohn vs. Thompson, has just been upheld by the higher court. The case was based on a question as to whether or not a collection agency after having received an assignment of an account had the right to proceed in its own name to sue on that account.

In presenting the opinion of the court, Judge McLucas said in concluding his opinion "we find no merit in the contention that assignment of a claim with the intent that the assignee shall bring suit thereon is illegal and void. We have no power to make legislation; if legislation be desired forbidding collection agents as well as attorneys from buying claims with intent to bring suit thereon, arguments in support of such legislation must be addressed to the legislature."

Justice Shaw in presenting a concurring opinion holds "a completed assignment is an executed contract to which the rule regarding illegality of consideration does not apply. Hence, the plaintiff was by the assignment vested with title to the claim and could maintain an action upon it. One who obtains property for an illegal consideration does not become an outlaw nor is the property fostered to anyone who can gain possession of it as against all except him from whom he obtains the property such a person is the owner of it and may resort to the courts to protection, or if it be a chose in action, to enforce his rights against the person from whom he obtains the property are not here in question but would doubtless be determined on a consideration of the question whether both parties were in pari delicto."

Wheeling Man Given 5 Years in Prison After Bankruptcy Conviction

Wheeling, W. Va.—Ben M. Noll was found guilty on seven counts on an indictment charging him with violation of the bankruptcy laws by concealing assets of the bankrupt K. & N. Stores, Inc., of this city. Judge William E. Baker sentenced Noll to five years in Northwestern Penitentiary on each count. The sentences will run concurrently. The prosecution of this case was assisted by the Adjustment Bureau of the Wheeling Association of Credit Men.

In an attempt to diagnose humor people have been divided into various groups known as dimplers, smilers, laughers, and stomach — we avoid the more common expression — laughers.

Laughter itself has been defined as a change of countenance accompanied by a spasmodic sound.

The physical origin of laughter is still a secret.

The cause of laughter may lie in something like this: "What do you call that?" asked the inquisitive old lady, pointing at the sorry looking mongrel accompanying the boy.

"That," replied the boy proudly, "is a police dog."

"He doesn't look like a police dog to me." insisted the old lady.

"That's because he's working in the Secret Service," answered the boy.

We might add that there's nothing secret about the service available to our agents for the benefit of their customers.

**THE CONNECTICUT
FIRE INSURANCE
COMPANY**
of
Hartford, Conn.

Cash Capital.....\$2,000,000.00
Net Surplus.....11,013,713.79
Assets.....19,130,425.82



ZEBRAFFAIRS



New Orleans.—New Orleans qualifies. The "baby" Herd of the R. O. Z. was organized at New Orleans October 29th and now has a membership of thirteen qualified Zebras.

Under Exalted Superzeb G. R. Brister (American Sugar Refining Company) and Zebratary Charles G. Cobb, they are already going forward "in high."

Among the notables in the charter membership are National Vice-President Ed Pillsbury and past National Director "Cap" Lathrop.

New Orleans held its first initiation on October 29th at which time Messrs. G. E. Brister, American Sugar Refg. Co.; H. J. Fremaux, Standard Sanitary Mfg. Co.; Peter Jung, Jr., Crescent Bed Company; D. H. McCooe, Loose Wiles Biscuit Co.; J. A. Monier, Jr., Wesson Oil and Snowdrift Sales Co.; R. A. Piske, Jaubert Brothers and Co.; W. W. Pope, Hibernia National Bank in New Orleans; R. L. Simpson, C. T. Patterson and Co.; A. P. Spaar, Woodward Wight and Co.; W. B. Lathrop, Armour and Company, Ltd., F. L. Lozes, Manager, Collection Department, New Orleans Assn; Chas. G. Cobb, Secretary, N. O. C. M. A., were brought over the hot sands of Sahara. Exalted Superzeb G. E. Brister, presided. He put the candidates through a gruelling pace.

After the meeting refreshments were served to restore the courage of the newly elected members.

Los Angeles.—Sixty-four Los Angeles Zebras were present at their first seasonal stag party at the Club de Paree. Superzeb Fred Cates outlined the year's plans for the Herd. These Zebras are also the membership getters in their area.

Detroit.—Thursday, November 21st, the Detroit Herd are hosts to the Detroit Association membership in a stag smoker, which Superzeb Gordon says will be one grand party. A minimum of 250 members are expected to be present.

Cleveland.—All activities resumed last month, and a meeting and initiation planned, specializing as usual in the membership work in their area.



**Divizeb A. H. D. Perkins,
Memphis, Tenn.**

San Francisco.—Considerable renewed interest is being displayed in the Zebras in San Francisco. Last week there were initiated two lowly mules: Henry G. Hyland, Haas Bros. (Wholesale Grocers); James O'Donnell, Rathjen Bros. (Wholesale Liquors).

The Zebras are planning a very active campaign for new members of the Credit Managers Association of Northern and Central California. The entire membership of the Zebras have been divided into the "Hees" and the "Haws." Quite a lot of competition exists between these two teams. The Association reports sixteen new members already secured during the month of November.

Seattle.—The outstanding initiation in the history of Seattle Herd was held recently with seven initiates successfully crossing the burning sand. Seven honorary members were also added to the Zebra Herd, consisting of members of the local Association staffs in some of the other western points.

This meeting was attended by Grand Zebratary Owen S. Dibbern and the Zebrataries from Portland, Salt Lake City, Denver, San Francisco, Oakland, San Diego and Los Angeles. In attendance also were the fifteen Zebras from the Tacoma Herd.

The Seattle Herd now numbers thirty-five.

Accounting for judgments

(Cont. from page 15) However, the receipt of the principal amount, waiving the accrued interest, is frequently the basis of final settlement, so it probably would be better to omit accruing the interest on this account unless it is well secured, thus insuring payment, as many judgments are not collected at all.

3. *Public Accountant.*

When called upon to make an audit one point to be covered should be the examination of the Judgment Dockets, to determine if any unsatisfied judgments are on record. The remarks in the foregoing paragraphs regarding the legal and bookkeeping ends also apply to the accountant, and his report should contain the liability on the Balance Sheet and the accrual for interest on any Judgments Payable and a separate Asset Account for Judgments Receivable.

Examination of the Judgment Docket should also be made from the Creditor's standpoint to see that Judgments obtained against debtors are docketed. All releases and receipts therefore should be checked to see that they are properly entered on the Judg-

ment Creditor's books and the balance due correctly set forth. The segregation of these accounts from the open accounts on the Creditor's books may be rather difficult, especially if a collection agency is employed for collection. The correspondence files with the Client's Attorney or collection agency should be examined to assist in determining if any accounts are in litigation.

The responsibility of the Accountant to examine these records is great. The title to property of all kinds is subject to the judgment or it may be that, because of Judgments, the title to properties may be held by "dummies" for the client which condition should be noted in the report to satisfy the needs of those interested in the condition displayed in the report.

A few general remarks about the legal end are in order.

In general the Statute of Limitations runs on a judgment five years after it is rendered. In some states it is possible to revive a judgment to the extent of having execution on it after the five year period has elapsed. This privilege is not absolute, but depends upon application to the Court. It is required that reason be shown why the judgment has not been enforced during

the five year period. In order to preserve the right to execution after the running of the Statute it is well to have debtors examined from time to time under Supplemental proceedings. This procedure consists in having the judgment debtor cited into Court to be questioned regarding his assets.

Ordinarily execution can be issued on a judgment only upon application of the Attorney of Record. Occasionally an Attorney of Record in the case will not be available when it suddenly becomes expeditious to levy upon the assets of the judgment debtor. It takes some little time to arrange a substitution of attorneys where the attorney of record cannot be located for the purpose of securing his signature. Speed in such a case can be gained by a mere assignment of the judgment to a third person who is entitled to come into the record with his own attorney and secure immediate execution.

Until recently Small Claims Courts did not allow Supplemental examination of the judgment debtor. It has recently been held in California that one may enjoy this procedure even though the judgment may be issued by a Small Claims Court.

Judgments, when docketed, attach
to any property which (Cont. on p. 38)

Our Simplest Financial Statement

Designed for the small customer who can give only a minimum of financial information, this envelope form is by far the most widely used of the Association's standard blanks.

PRICES, POSTPAID		
Plain	Quantity	With Name and Address
\$4.00	250	\$8.50
6.75	500	12.50
10.00	1000	19.00
13.50	1500	25.65
18.00	2000	34.20
21.35	2500	41.55
25.50	3000	48.45

This form carries a forceful message regarding the Reciprocal Value of a Signed Statement.

[illegible]

**NO ENVELOPE IS REQUIRED.
JUST FOLD, STAMP AND MAIL.**

National Association of Credit Men, One Park Avenue, New York, N. Y.
 Send me your new—free—folio of credit forms with samples and prices.
 Name..... Firm.....
 Address.....
 City..... State.....

When writing to advertisers please mention Credit & Financial Management



Paging the new books



Reviews of the important books on business, to aid executives whose reading hours are limited.

This month's business book

THE STATE IN THEORY AND PRACTICE. By Harold J. Laski. The Viking Press, New York. \$3.00.

The state is one of those basic conceptions over which men will disagree and argue for a long time to come. Witness the controversy over the New Deal. Every step taken by its advocates is based on a certain conception of the powers and the functions of the state; and a definite conception of the state is implied in every criticism of and challenge to the New Deal. The arguments put forth by both sides are partisan. All those who want to see why this is bound to be so should read this latest book on the state in theory and practice.

It is written by one of the most brilliant political scientists of the present generation, who has taught in Harvard, and who is at present professor of political science in the University of London. He has written many books and articles on the state and on political scientists. His *Democracy in Crisis*, and *Liberty in the Modern State* can be read by those who are interested

enough in this subject to want to study it further.

In the light of all the discussion that is now going on about the proper functions of the Administration in Washington, and the desirability of changing the Constitution, this book becomes very pertinent, and should be made required reading for all those who want to cut through such phrases as "take the government out of business," "share the wealth," "social justice," etc., and get down to bed-rock.

This bed-rock is the state. The philosophi-conceptions on which it is based, its powers, and limitations, and the reasons why it is challenged at any one time are fully discussed in this book. There is a strong chance that it will become one of those enduring books, like Plato's *Republic*, Aristotle's *Politics*, Hobbes' *Leviathan*, Locke's treatises on government, Rousseau's *The Social Contract*, and the *Federalist*.—E. G. P.

Let's get going

(Continued from page 8) was just, timely, and wise. It halted the government from exercising domination over business at a time when the NRA had already reached its maximum of usefulness, and business was becoming restless and resentful of government interference. The decision restored to business that confidence which had been lacking for sometime, and the control over its own affairs, free from unwarranted and possibly unwise interference.

3. Conditions are now ripe to inaugurate the beginning of the end of the depression. On all sides we see increased business, larger profits, greater spending power. All that we need to restore healthy prosperity are four things, and these four things are already beginning to crystallize under our very eyes. They are:

(a) An expansion of credit as a result of the piling up of the huge reserves clogging the vaults of our banks, low interest rates, and the record low business mortality.

(b) A speeding up of production by industry to meet anticipated needs resulting from credit expansion and increased consuming power.

(c) A release by the consuming public of surplus funds, held for a rainy day to buy the things they have been needing for some time, but have been

afraid to buy because of the uncertainty of continued employment.

(d) Confidence. Hitherto the banks, industry and labor have been watching each other, each waiting for the other to make the first move. With confidence in the future, and simultaneous co-operation by all, each cog of the industrial machine begins to function at the same time, and the machine commences its operation fully equipped, smoothly and efficiently, not with stops and starts, and spasmodic jerks.

The end of the depression is at hand; the means are at hand. There is nothing to stop recovery. **LET'S GET GOING!**

Accounting for judgments

(Cont. from page 37) may vest or become vested in the Judgment Debtor, located in the County of Judgment. An Abstract of the Judgment may be filed in any other Counties in which the Judgment Debtor may have property, either real or personal. In the case of Real Estate transactions the mere recording of a deed vests title in grantee, and makes the Judgment a lien on the property even though a deed disposing of the property is filed simultaneously, and would necessitate the settlement of the Judgment to clear the title.

A partner, either general or special, does not have the right to confess judgment, and any confession made would be void.

Deficiency Judgments are another form. They arise from the shrinkage of the value of property pledged to support a mortgage or trust deed, the proceeds realized from a forced sale of the pledged goods being insufficient to pay the balance due on the obligation and the Court awarding judgment for the balance due or "deficiency" to be paid from other sources if they can be found.

If the Judgment Debtor is deemed to be the owner of real estate an abstract of the judgment should be filed immediately after docketing so as to preclude transfer of his property without satisfaction of the judgment being made.

The foregoing remarks cover high lights only and are not intended to exhaust the highly involved and technical subject of judgments.



With food prices soaring and income stationary a family man's out of luck if he has no country relatives he can visit now and then.—"Modern Finance."

Letters of a credit man

(Cont. from p. 23) cater to. You will look forward with interest to the meetings of your group and will be repaid a hundred-fold, not only because of the information divulged, but because of the contacts with your fellow-credit men. There is no place for a hermit in credit work.

Lovingly,
Your Dad.

IX

Dear Charles:

I wish you would take the time, son, to look about you and see who are the big men in your community.

The influential men in any community are the heads of business houses or financial institutions. Check back, you'll find their elevation did not occur suddenly. They reached their goal not only because of their financial investment in the enterprise with which they are connected, but because of hard work and also because of their activity in civic matters.

Many successful men owe their success in large measure to their Credit Association, by having served on its Committees, Board of Directors, or as its officers and later as National Director or officer.

Call it fate or good luck or what you will, but had these men remained hidden in the confines of their office, their ability might never have been known. It was their activity, their outstanding service, their constructive efforts which brought them recognition. This will continue ad infinitum as long as our civilization lasts.

My boy, everything progressive is just a waste of time to some people. It reminds me of a college classroom. I guess that is why so many students fail at the lower end of the line. My advice to you is to take an active part in your local Credit Association work. If you are invited to serve on any committee, do so to the best of your ability. Take the initiative and create. The monuments we see around us everywhere, whether they are skyscrapers or cathedrals, represent creative effort. Anyone can destroy.

You will find at those annual meetings men and women from all sections of the country. They attend not only because of the opportunity to improve their knowledge of credit, but to listen to and take part in the discussions of the problems confronting their profes-

sion. In addition, the trip gives them the opportunity to increase their knowledge of their country, and to renew their friendships and make new acquaintances.

By all means take an active part in committee work. My observation is it is the best method for constructive effort and the quickest way to attract the attention of the men directing the helm of your association. From Committee work to serving on your local board of Directors is only a short jump. As a Director you will have a much better understanding of the problems of your Association.

Your Credit Association has a field of usefulness which cannot be usurped by any other organization. Its ideals are based upon unselfishness, co-operation, the elevation of business to the highest principles, as well as the rehabilitation of honest and worthy debtors.

The Credit profession has made remarkable strides in the past ten years and the man who holds this position with his firm is looked up to and respected as occupying the most important as well as the most responsible position in his institution.

As you journey (Cont. on page 44)

Do You Know What Chances You're Taking?

There are certain rules for granting credit. You know them from years of experience and they all spring from a single purpose: don't take abnormal chances. Credit, like insurance, is based on averages — except that the loss ratio has to be lower.

One of the newer rules of enlightened credit is to make sure your debtor is adequately insured to protect the carefully investigated probability that he'll be able to pay, as well as to protect your interest in the property. (Carefully investigated — that's what counts. First you get general experience with each type of debtor, then you investigate each debtor carefully.)

In how many cases are you absolutely sure that every hazard that can and ought to be insured, really is adequately insured? Unless you are exceptional the answer is: mighty few!

Why not carefully investigate this aspect of every credit risk? How? You need not learn the insurance business from A to Z. There are competent agents as close as your telephone who will be glad to cooperate. Enlist your insurance agent as part of your credit investigating facilities. Why not call him now?

The
LONDON ASSURANCE

The
MANHATTAN
Fire and Marine Insurance Company

The
UNION FIRE
Accident and General Insurance Company

99 JOHN STREET

NEW YORK



Insurance digest

Inaugurated because of the credit fraternity's close contact with the insurance field and need of information about it.

Warehouse fires are unprofitable

Fires in warehouses are either intentional or unintentional. In regard to the intentional fires in warehouses, the past few decades have seen a noteworthy *decrease* in arson and incendiarism.

Three factors have been chiefly responsible for this improved and complimentary record, and these factors are: (1) Hardheaded, practical business reasoning on the part of insurance companies, with their resulting cognizance of the moral as well as the financial risk of a prospective customer; (2) More effective arson laws, and (3) More stringent enforcement of arson laws, including modern and scientific police methods as well as a deeper realization on the part of the judiciary of the deleterious effect of arson on business in general.

As to unintentional, or accidental, fires in warehouses, these have also been reduced. But the reduction in this instance is chiefly, if not solely, due to the realization on the part of keen, hardheaded, practical business men that warehouse fires are costly fires, no matter how well the goods or the premises involved are covered by insurance.

Fires in responsible warehouses, and in warehouses storing the products of

responsible manufacturers have always been relatively few. But formerly there was a tendency for business men to shrug their shoulders, assume an attitude of laissez-faire, and feel contented with the insurance payments they received in cases where their goods were involved. But thinking, forward-looking industrial leaders thrashed out and arrived at an entirely new conception of the relation and balance of fire losses to insurance payments. And gradually the present generation in control of business has cut down even the few losses that previously existed.

The kernel of the practical business argument against fires, of course, is the now well-accepted recognition of the importance to a successful business of the able continuance of its service, the maintenance of its prestige, and the inescapable disadvantages of even a momentary setback in the fierce competitive struggle of these modern times.

A fire to a modern captain of industry no longer means a shrug of the shoulders, and a deposit of the check of some insurance company in partial payment for his loss. It means his realization of the piling up of unfilled orders; of the dissatisfaction of hard won customers; of the opening of new sources, competitive to him, by customers who cannot or will not wait for his delayed shipments. It means the complication in his business of a host of temporary expedients, of unexpected demands, and of a permanent scar of irreplaceable, costly intangibles.

To begin a study of warehouse fires, their fire record, and the most usual (and profitable!) fire protection practices in warehouses, requires, first of all, a definition. When we ask ourselves, "What do we mean when we say warehouse?" the old boyhood conundrums come to our mind: "How long is a piece of string?" "How high is a tall tree?"

Warehouses and storehouses might be buildings containing anything from gunpowder to bricks, from highly inflammable cellulose and nitric acid products to asbestos. They might follow any type of construction, from that of modern sky-scrapers to the old-time wooden shed, or even to rooms, or sections of a building used chiefly for other purposes. They might be private, public, co-operative, stipulated, or non-stipulated warehouses.

The fire record below, rewritten from the record tabulated and dis-

cussed in volume 10, number 3 of the National Fire Protection Association Quarterly, omits data on warehouses predominantly for cotton, tobacco, wool and cold storage plants. Otherwise, and without meaning to be facetious in any way, we might say that when we use the word "warehouse" you can write your own ticket—and we don't think you'll be far off the track from what we mean.

This fire record from the Quarterly gives the following analysis of 55 warehouse fires of known causes, broken down into Common, Special, Incendiary and Exposure causes, as follows:

COMMON CAUSES:

Smoking	10.4%
Locomotive Sparks	9.7%
Miscellaneous	8.8%
Lighting	6.8%
Oily Material	5.1%
Rubbish	4.8%
Power	4.8%
Matches	4.6%
Heating	4.2%
Boiler and Fuel	2.9%
Lightning	2.6%
TOTAL COMMON CAUSES..	64.8%

SPECIAL CAUSES:

Spontaneous Stock	12.6%
Miscellaneous	7.4%
TOTAL SPECIAL CAUSES...	20.0%
INCENDIARY	8.6%
EXPOSURE	6.6%

Added to this data of causes, the Quarterly also stated that of the fires resulting in big losses, 16.6% occurred in protected properties, as against 46% in unprotected properties. It showed that by and large (and excepting Incendiarism) there is a pretty even distribution of the fires over the day and night hours. 56% of the COMMON, and 48% of the SPECIAL fires occur during the day, leaving 44% and 52% respectively of the fires to occur during the night. —"Firefax."

It is true, as Senator Borah says, that money is wasted on relief. And some is wasted on Congressmen and Senators.

—"Modern Finance."

Fair exchange

During the grouse shoot two sportsmen were potting at the birds from butts situated very close to each other. Suddenly a red face showed over the top of one butt, and the occupant said, "Curse you, sir, you almost hit my wife just now."

"Did I?" said the culprit, aghast. "I'm frightfully sorry. Er—have a shot at mine." —The Columbian Rope Crew.

Capitalism's future

(Cont. from p. 11) total savings of 15 billion dollars, 13 billions were made by 10 per cent of the families. During the last few decades—particularly since the World War—the proportion of large incomes tended to mount, so that a larger percentage of the national income was saved.

Had all the savings gone to build new factories or other plants, they would not have suffered. According to traditional theory, they would be so spent automatically. *But the study found that the amount of capital creation was actually less than half the savings.* Because consumptive demand was insufficient, additional plants would have been unprofitable. *Consequently, the report says, the savings went into speculative bidding up of outstanding securities and other property.* Higher levels of income, and particularly concentration of income, had shifted the balance between production and consumption, creating a basic maladjustment that was inimical to prosperity.

If the capitalistic system had been operating in practice as projected in theory, this situation would not have occurred. But the inquiry indicated that price competition had diminished to such an extent that this process was no longer automatic. This, according to the report, has come about largely through the formation of large industrial combinations, trade associations, code authorities, and various other mechanisms to solidify short-sighted mutual interests, which have offered the chief support to price stabilizations. Government monopolies are not exceptions and, rather, are inclined to be more susceptible to the price-maintenance idea because of the demands for government revenue. Here, as in the case of private monopolies, the short-term advantage is allowed to interfere with long-term progress.

Our industrial trends

Progress in the decades between 1870 and 1890 is cited as an example of the free flowering of the capitalistic system according to theory; technology advanced rapidly and prices declined sharply. Pig iron dropped from \$33.23 to \$19.98 a ton, open hearth steel rails from \$106.70 to \$32.29. Transportation charges fell along with many other prices.

But between 1922 and 1929, a similar period from the standpoint of increased efficiency, the story was differ-

ent, as told in the Brookings report. Efficiency, as measured by the production per gainfully employed worker, increased by about 18 percent in manufacturing, where technological progress was most rapid. But prices of manufactured goods declined only about 5 percent and prices of raw materials as a group remained practically stationary. The index number of wholesale prices covering all commodities, including food products, declined from 96.7 to 95.3. Retail prices in these years remained practically stationary, whatever reductions there were at wholesale being absorbed in the marketing.

In many lines, such as automobiles, lower prices and improved quality were being persistently offered, but in others the report says, the gains in efficiency resulting from technological progress were not manifesting themselves in price reductions to consumers. As many in this latter class were basic commodities, they were of primary importance, and maintenance of their price levels offering resistance to price declines at later stages in the productive process.

Our income distribution

In recent decades the pressure of labor to obtain the benefits of technological advance through higher wages has become stronger, and there have been some substantial gains. Between 1900 and 1929, the real weekly wages of the average worker increased 38 percent while his working hours were decreasing 13 percent. But the aggregate results have been disappointing. Though wages have increased faster than prices, affording real benefits to the wage-earning element, these benefits have not been spread broadly over the population generally, except in limited and indirect ways. On the contrary, large segments of the population have been affected adversely.

The study estimates that urban groups totalling 20 millions, such as small shopkeepers, professional men, and others, fall outside the wage group. But the most serious effects have been felt by the farm population. High industrial wages encouraged industrial prices to rise or retarded their decline, resulting in actually diminished purchasing power for farmers and those most closely associated with them.

The effect of such a maladjustment on the prosperity of the whole nation can best be realized by considering that more than 40 percent of the population lives on farms or in towns of less than 2,500. These people, though placed at a disadvantage by higher industrial

wages, would participate fully in the benefits of lowered prices. The effects of their prosperity or lack of it on the country's general economic well-being is conspicuous.

The results that might be expected from a price-lowering program are not merely raising the nation's productive output to the existing capacity of its plant. Rather, the country could look forward to the enlargement of its plant and the production and distribution of more and more goods to the people as the efficiency of production increased.

Old-age accounting

(Cont. from p. 16) and also from the respective state totals as the occasion requires. By this method a maximum of information is obtained with a minimum of repetition. Also the work is proved as it goes along.

This system can also be very well adapted to cases where there are plants, or branch offices, in several states. A large industrial firm operating in only one state can also utilize this method. The employees earnings cards in the latter case can be grouped by departments instead of states to facilitate localizing errors.

PAY ROLL RECORDS for the NEW STATE and FEDERAL LAWS

Revisions will be necessary in Pay Roll records to conform to Federal and State requirements. A complete set of forms has been designed and are now available from stock. Descriptive illustrated Booklet sent free on request.

Sample Set of forms and instructions for accounting procedure, as well as digest of Federal and State laws as affecting records will be mailed on receipt of \$1.00 to cover preparation and mailing cost.

Forms and Binders
for Every Purpose

We regularly carry a wide range of record keeping equipment for all Pen and Machine Posted Records. Special Pay Roll and other made-to-order forms on short notice. Send for catalog.



THE C. E. SHEPPARD CO.
4429 TWENTY FIRST ST.
LONG ISLAND CITY N. Y.



In the modern office

An idea and experience exchange on equipment, system and management in the modern credit and business office.

Standardization in the office

by C. U. STAPLETON
Canadian National Railways

To produce the volume of work necessary today and to produce it in the limited time allowed demands a large measure of standardization. Therefore, modern practice in office management includes standardization among its most important principles.

The principal office activities consist of: (1) *Recording* essential facts incidental to making a proper disposition of each business transaction; (2) *Communicating*, necessary to effect such dispositions; and (3) *Analyzing* such facts for purposes of administration and control.

Preparing, Completing and Dispatching are the main divisions of each of these clerical activities, and each division is subject to standardization, but before this is attempted a standardized method of investigating the necessity for "recording" should be set up. The compilation of records is sometimes continued for years after these records have outlived their usefulness. In some cases this waste has been due to the acceptance of long-established routines as essential, whereas often the question, "What would happen if this were discontinued?" discloses how unneces-

sary many of the motions have become.

In our own business we used this question with profit during the standardization of our printed forms. We first secured all possible information regarding printing processes, paper stock, and labor costs, and then we collected samples of all forms in use. After setting the minimum manufacturing standards to provide for our requirements, the forms were individually discussed with the using departments for the purpose of canceling those of no further use, effecting consolidations whenever possible, and setting up standard specifications for those subject to standardization.

This approach, together with a forms committee control of new forms and revisions, has resulted in the original total of about 10,000 forms being reduced approximately 25 percent. It was further found that a scientific approach to the problem of reducing the manufacturing cost of forms, a problem not commonly considered controllable by the purchaser, accomplished an average saving of more than one-third in the cost of about two-thirds of the forms now in use.

It has been our experience that the application of engineering principles in standardizing the production of our printed forms has enabled us to supply the least expensive materials suitable to the requirement, and has saved us many thousands of dollars yearly in printing bills. The institution of a forms standardization program, accompanied by standard methods of cost control, and the extent to which it can be carried are, of course, largely dependent upon the number and consumption rate of printed forms in use. The importance of forms committee control in restricting the number of forms in use to the bare essentials should never be measured by the stationery saving alone, for this usually amounts to only a small fraction of the clerical saving.

In this connection it is not difficult to compile a set of questions to establish general justification for what is now being done or being used, leaving it to the intelligence and experience of the investigator to apply the questions to specific needs, with appropriate discretion.

Once the necessity is established, the next step in applying standardization is to find the simplest way of producing this work in the shortest time, with the least expensive tools and supplies, and to reduce the operation to a writ-

F. C. I. B.

Foreign credits in business demand accurate analysis . . . and that presupposes complete, down-to-date information. With a foreign buyer some thousands of miles away, you can't ask *his* neighbors how he pays his bills.

Yet, you must know before shipping how the foreign buyer will pay you.

Foreign Credit Interchange Bureau reports provide just that . . . just what you need to know. They give you his actual paying record as revealed by the ledgers of hundreds of *your* neighbor exporters in the United States. There is a sound basis for forecasting credit responsibility. 350,000 foreign buyers are known to the bureau . . . Three out of every four members' requests for information on foreign buyers are filled by the F. C. I. B.

Foreign Credit Interchange Bureau reports are nominal in cost . . . profit-making in returns. 100 reports are available to you in the course of a year's contract. These are new investigations. They tell you what's what — not what should be, not what was.

Tie in your credit department with hundreds of leading American export credit departments through membership in the . . .

FOREIGN CREDIT
INTERCHANGE BUREAU

NATIONAL ASSOCIATION
OF CREDIT MEN

1 Park Ave., New York, N. Y.

ten standard. It takes a great deal of time and work to break down, revise, or consolidate operations, properly apply equipment, make tests, and experiment in one way or another, but the reward is a smoother running office machine, lowered costs, increased flexibility, and a release of supervisory time for creative work.

An example of standardizing a method may be taken from our experience. When several large railways now forming the Canadian National Railway System were amalgamated, the attention of our management was directed to the need for uniformity in filing methods. We approached the task of bringing this about with the belief that it would be a comparatively simple matter to survey the existing filing routines, select those best suited to universal use, and adopt them as our standards.

However, a preliminary survey made it apparent that the papers to be filed in one department were quite different in subject content from those of another and, as practically all filing in the transportation business is subject filing, due to the prevalence of inter-departmental correspondence, we soon perceived the necessity of setting up a separate standard filing system for each department. A universal system, embracing all the requirements of all departments would be too cumbersome for departments requiring only a few of these subjects and would increase the hazard of duplications and incorrect filing. By surveying the needs of one department at a time, and by investigating the filing experiences of other transportation companies, we were able to avoid the weaknesses in existing systems and to provide for changing conditions.

One department with a large number of offices had five different systems in use in different parts of the country, and even where two of its offices had the same system, there was usually a considerable variation in its operation. As a result, the subject number assigned in one office was of little assistance in the receiving office. The transfer of staff and equipment between offices in the same department was also made difficult. In that department today filing is standardized, and some 800 offices are using a simple, uniform filing system, built up on the best principles of the former systems. Without departing from the principles embodied in this system, eight other systems were designed to suit the particular needs of other de-

partments.

The control of office production must be governed by the same principles as those of the factory, and office tools, equipment, appliances, and supplies benefit by similar standardization. In our case the amalgamation of various enterprises in one organization brought up a problem of standardization in office equipment, which probably would not exist in the gradual growth and development of one business unit. Almost every type and make of equipment was in use and in fair condition, which made it advisable to carry out a standardization program very gradually in order that the remaining life might not be wasted through wholesale exchanges. Necessary replacement will eventually bring about the desired result, but, because of the long life of most types of office equipment, patience has to be exercised.

We have endeavored to provide for future uniformity by setting up standards for the commonly used types of office furniture and office machines. We found it easy enough to determine the best typewriter, duplicator, or adder for certain specific purposes, although in some cases it was necessary to stipulate that the machines be equipped with various attachments to facilitate the operation to be handled. It was not so easy to set chair standards that would secure the maximum production for various operations, or to decide such questions as the application of power-driven in place of manual equipment.

A few standards investigations were discouraging, the data proving insufficient to serve as a factual basis for decisions. However, the majority of cases proved the necessity for such work. For example, a battery of worn-out machines of various makes on the same operation was replaced with one standard make and effected an increase of over 20 percent in unit production. In another case a replacement of 50 miscellaneous chairs brought about a 12 percent increase in production.

Further standardization was found advisable in the office equipment procedure itself. The opinions of using offices had previously been considered sufficient justification for filling office equipment requisitions; now it became necessary to furnish facts for scrutiny before approval of the requisition could be obtained. An oral explanation, or even a covering letter was no longer considered sufficient for either additions or replacements, as it was found that, frequently, opinions had been formed

without possession of all the facts. By requiring that these facts be submitted in a standardized arrangement, the cancellation of a considerable percentage of requisitions was made possible.

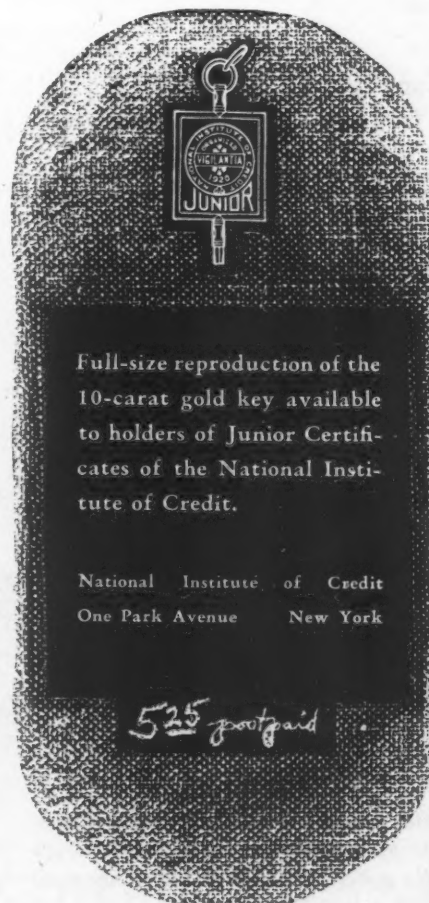
A further standardized procedure for periodic reports indicated current equipment needs. When changing conditions rendered certain equipment unnecessary, or permitted alternative arrangements, this equipment was turned in and used for future requisitions. This Standardized Office Equipment Control Procedure resulted in substantial savings in the handling of some fifteen hundred requisitions, reducing expenditures on this account by more than 10 percent.

Office standardization may be summed up as a standardization of the product and of the production operations and the issuance of standard practice instructions.

—“Executives Service Bulletin.”

“If you found \$50.00 in your pocket,” says the head-line of an ad, “what would you do?” Well, sir, first we’d look to make sure we didn’t have on some other fellow’s pants.

—“Modern Finance.”



Answers to credit questions

Conducted by E. B. Moran

The National Association of Credit Men supplies answers to credit questions and some of the answers, of general interest, are printed regularly in *Credit and Financial Management*. Advice cannot be given, however, regarding legal rights and liabilities. Such advice should be obtained from an attorney to whom all the facts should be stated. When such inquiries are received, information is furnished only as to the general principle of the law involved.

Residence

Q. Please advise us what is meant by "legal residence".

A. A law dictionary defines it as "the place of a man's fixed habitation, where his political rights are to be exercised and where he is liable to taxation."

Copyright

Q. Should the original or a carbon copy of a manuscript for a book be sent to the United States Copyright Office when applying for the copyright?

A. Books are not copyrighted in manuscript. When the book has been published, send two copies, accompanied by a registration blank, properly filled in, to the Copyright Office, Library of Congress, Washington, D. C.

Guaranteed Account

Q. If I have an account guaranteed by a third party, and when the account becomes due, the customer asks for an extension of time, is it necessary, or if unnecessary, would it be good policy to get the approval and agreement of the guarantor before giving the extension of time?

A. From the legal point of view, can the guarantor evade payment of the account on the basis that his liability ceases when we made a further extension of time beyond the terms originally agreed to under which he made the guarantee?

A. Please be advised that it is nec-

essary to get the approval of the guarantor to the extension of time. The liability of a guarantor for payment of a debt is discharged where the date of payment is postponed or extended without his consent.

Letters of a credit man

(Cont. from page 39) through life, keep up your contacts. Make new acquaintances, and hold old friends. Be proud of your Association; of its accomplishments in the commercial life of your community. Diffuse the spirit of civic pride so it will be contagious, and that every one will be imbued with its ideals as you are.

Your Dad.

All's (rather) quiet on the Potomac

(Continued from page 19)

Spending

There is no doubt that the Administration is fully conscious of the growing uneasiness throughout the country regarding government expenditures. The

President and many of his aides would undoubtedly like to reduce expenditures and gestures in the direction of economy may be expected when the new budget is introduced, but it is questionable whether much more paring can be done in the so-called "ordinary" budget without impairing the established government services; and even more questionable whether either politics or social requirements will permit substantial reductions in the "extraordinary" budget.

It is well known that the Administration would like very much to get out of the business of direct relief and the WPA was designated to accomplish that purpose. However, the objective set for November 1st in moving the unemployed on relief to WPA rolls fell far short of attainment. Furthermore, there is little actual difference between an expenditure of government funds on many WPA projects and on an outright dole so far as the ultimate cost to the taxpayer is concerned.

The principal difference is that a dole would probably be much less costly in terms of money, whatever the cost might be in loss of morale on the part of the dole recipients. The ability of the government to shift this relief burden to the states also depends, of course, to a large extent upon the financial condition of states, counties, and municipalities. Many of those units of local government are not at present able to assume a very much larger financial burden than they are now carrying.

An analysis of this situation, therefore, discloses the Administration as being somewhat in the position of the individual who had a bear by the tail. A sharp curtailment of government relief expenditures might well produce serious social difficulties while a continuance of the expenditures means a continued unbalanced budget.

A number of economic experts in Washington are giving consideration to the probable economic effects which would follow a substantial decrease in government "emergency expenditures". Many of these experts feel that if expenditures are curtailed too rapidly the effect might be to substantially retard business recovery for a short time until the improved sentiment resulting from reassuring business confidence would have a chance to make itself felt.

We consider the ant a very lucky fellow. He has no government to take his savings and distribute them among the grasshoppers. —"Modern Finance."

Don't Leave It to Chance

MANY things in life are dependent on the whims of chance. But there is one thing which need not and should not be left thus insecure. That is the future well-being and support of those who are dependent on you.

Life insurance is the only way of taking the element of chance out of your family's economic future. Let us send you our booklet which tells how.

John Hancock
LIFE INSURANCE COMPANY
OF BOSTON, MASSACHUSETTS

JOHN HANCOCK INQUIRY BUREAU
197 Clarendon Street, Boston, Mass.
Send me your booklet showing how life insurance takes the uncertainty out of the future.

Name
Street and No.
City State

C. F. N. 35

When writing to advertisers please mention *Credit & Financial Management*

"The practice of law"

(Cont. from p. 14) inherent and exclusive right to certain commercial business.

As a credit executive you are now going to be denied the right, if certain attorneys have their way, of handling your job in the manner that you would like to handle it, in the manner that you have been handling it during all of these years. My suggestion is that you answer this challenge to your constitutional rights by joining forces with your local Credit Association, co-operating in every way to carry these cases through to a final hearing, if need be, before the Supreme Court of the United States.

But there is a factor even more important than that. When your family is attacked you do all in your power to help it bear the burden and to unite by way of a common defense. So should you at this time, above all others, concentrate all of your business in your local Adjustment Bureau and, through it, the affiliated Bureaus throughout the country. There never was a more efficient organization to handle it. What more tangible evidence of your interest, in this fight your Association is making, could you give than to concentrate all of your business with its Bureaus.

The National Association of Credit Men, through its entire life, has always fought to advance the profession of credit management. It intends to maintain those rights that you have by virtue of the Constitution under which our government functions. Every advance move in credit, every program working towards the elevation of the profession of credit, every recognition of the credit department, every new and improved credit facility available today, was originally sponsored by our pioneers and developed by our organization. On the basis of performance, you have a stake of considerable size in maintaining your rights in the face of this movement.

The economic law would never rule adversely against your Adjustment and Collection Bureaus. I am of the belief that the highest court in the land will find no legal reason to do otherwise.

Yes, I may further state it is my opinion that the majority of attorneys in the United States realize the obvious danger and are against a program that would, if successful, inevitably lead to socialized law.

Choose the Chelsea
Where You Get
The Best for
Your Money

HOTEL CHELSEA

EXCLUSIVE CHELSEA DISTRICT
ALL OUTSIDE BEDROOMS WITH
OCEAN VIEW. SUN DECK. NOTED CUISINE

THE CHARM OF THE CHELSEA is its atmosphere of cordiality and repose — enhanced by wide verandas overlooking fountained lawns and the Sea. A beautiful dining room at the Ocean's edge serving a bountiful table of excellently prepared food.

SPECIAL WEEKLY
AND MONTHLY RATES

FROM
\$6 WITH
MEALS
AND BATH
\$4.40 ROOM,
BFST. &
DINNEY
\$3 ROOM
ONLY AND
BATH

ATLANTIC CITY

JOEL HILLMAN • J. CHRISTIAN MYERS • JULIAN A. HILLMAN

NEW RECORDS OF RESULTS

*... with personally dictated
letters automatically
produced by the thousands*

HERE are the boiled down facts of experience by Auto-typist users. From actual check-up of records, they say Auto-typist:

1. Sets a new high mark for getting action thru the mails (in sales, credit and collection departments).
2. Cuts correspondence costs 4 ways: dictator's time (largest item); time lost by stenographer in taking dictation; non-productive time of stenographer (varies from 20 to 40 percent); lost motion due to lack of supervision.
3. Produces more personalized letter volume per day than any other method.

Complete detailed reports are available. Send for them and our "try before you buy" plan which enables you to prove the results yourself.

EACH LETTER PERSONALIZED AS IF INDIVIDUALLY DICTATED

Your typist dials in form paragraphs or letters—with specific data inserted. Up to 200 letters per machine, per day. Three times as fast as your best typist. One girl can operate four machines.

AMERICAN AUTOMATIC TYPEWRITER COMPANY

608 North Carpenter Street

Chicago, Illinois

When writing to advertisers please mention Credit & Financial Management



Court decisions



PEARL BUTTERBAUGH v. LOEW'S Inc., *Appt. Tennessee Supreme Court—January 12, 1935.* (—Tenn.—, 77 S. W. (2d) 644.)

APPEAL by defendant from a decree of the Chancery Court for Davidson County (Howell, J.) dismissing its petition to be relieved from making payments under award, reaffirming the original award, and requiring payment of all lapsed or defaulted instalments to petitioner on her petition under the Workmen's Compensation Act for compensation for injuries sustained in the course of her employment. Affirmed.

1. Subsequent marriage of female employee, single when injured, does not suspend or extinguish her right to collect weekly instalments under a previously adjudicated award of a certain sum per week for a specified number of weeks for injury in the course of the employment, especially where the legislature has so enacted with respect to a widow who remarries, but has not done so with regard to an employee injured while unmarried.

2. A petition by an injured employee for execution to enforce a former decree awarding her a certain sum per week for a specified number of weeks as compensation for injury sustained in the course of the employment is not a "proceeding to obtain judgment," within the meaning of a statutory provision limiting to one year after default the bringing of "proceedings to obtain judgment in case of default of employer for thirty days to pay any compensation due under settlement or determination."

3. Limitations upon the bringing of actions are generally treated as tolled by the pendency of litigation over the subject-matter.

4. A statutory limitation of one year after default of an employer to pay compensation due to an employee, for the bringing of proceedings to obtain judgment, does not apply where, at the time of default, a proceeding was pending by an employer for relief from an award of weekly compensation, based on a change of condition of the employee, since the statute is without application to a right involved in pending litigation.

ALEXANDER ZIULKOWSKI v. AMELIA KOLODZIEJ, *Appt. Connecticut Supreme Court of Errors—November 20, 1934.* (119 Conn. 230, 175A, 780.)

APPEAL by defendant from a judgment of the Superior Court for Hartford County (Dickenson, J.) in favor of plaintiff in an action brought to recover damages for personal injuries alleged to have been caused by defendant's negligence. No error.

1. One in possession and control of real estate may be liable for injury to a tenant through failure to make repairs, although he does not have the legal title.

2. A widow who takes possession

and assumes and exercises sole control and management of a three-family house formerly the property of her husband may be liable, although she has not been appointed administratrix, and is only one of his heirs, for injury to a tenant due to a fall on a defective common stairway in the building which she has neglected to repair.

3. Upon the death of an owner of real estate, the right of his widow and children as his heirs, so far as concerns possession of the property, does not differ from that of tenants in common, the widow having a right to the possession, presumably for the benefit of the children.

4. The assumption and exercise by a widow of a right of possession of her deceased husband's real estate, she being one of the heirs, involves corresponding duties, including such as pertain to repair of parts of the premises common to all tenants and retained in the control of the landlord, and imposes personal responsibility for negligence in the performance of such duties.

5. That shortly before a tenant of a three-family house sustained an injury by falling down a common stairway,



To Help You Sell the Billion Dollar Buyer

THE Government's "shopping list" covers everything from canned foods and window screens to postoffices and water power projects. To help your company contact this billion dollar buyer and obtain information needed to submit bids on Government purchases, the U. S. F. & G. has compiled a booklet describing the facilities of its Government Service Bureau in Washington, D. C. Write for a copy.



Originators of the Slogan:

"Consult your Agent or
Broker as you would your
Doctor or Lawyer"

U. S. F. & G.

UNITED STATES FIDELITY & GUARANTY COMPANY

with which is affiliated

F. & G. FIRE

FIDELITY & GUARANTY FIRE CORPORATION

Home Offices: BALTIMORE

she swept the stairs, does not show an exercise of control thereof relieving the landlord of consequences of his neglect to keep the same in repair.

6. Assumption of risk by a tenant, relied upon as a defense against the landlord's responsibility for the consequences of his failure to make repairs, must be specially pleaded.

7. Where no claim is made on the trial of assumption of risk by a tenant injured on a defective stairway, assignment of error in that regard will not raise the question on appeal.

BANK OF CEDAR BLUFFS v. E. J. BECK, Whose Full Name is Edward J. Beck, Appt. (Nebraska Supreme Court—January 16, 1935.) (—Neb.—, 258 N. W. 528.)

APPEAL by defendant from a judgment of the District Court for Saunders County (Hastings, J.) in favor of plaintiff in an action on a promissory note. Affirmed.

1. After a note is signed, if a memorandum or notation is placed upon its margin for the convenience of the bank taking the same, which notation does not affect the rights or liabilities of the maker, it is not a material alteration.

2. After a note has been signed and delivered by the maker, if the time of the maturity is altered by the holder without the consent of the maker, this constitutes a material alteration, which releases the maker.

T. H. RAY, Appt., v. OKLAHOMA FURNITURE MANUFACTURING COMPANY. Oklahoma Supreme Court—September 25, 1934. (—Okla.—, 40 P. (2) 663.)

APPEAL by defendant from a judgment of the District Court for Lincoln County (Johnson, J.) in favor of plaintiff in an action on two promissory notes. Affirmed.

1. A provision in a note providing: "This note shall at the option of the holder, become at once due and payable if any change takes place in the ownership of the business of the maker . . . or if any stock of goods or fixtures be damaged by fire, or if maker . . . or either of them become insolvent, or if I fail to pay any other indebtedness to the payee hereof at maturity, or if I be sued by any other creditor, or if a chattel mortgage be placed on his stock of goods or fixtures," is not void as being contrary to public policy or in restraint of trade.

2. The plaintiff in an action upon a negotiable promissory note, by intro-

ADJUSTMENT BUREAUS OF THE NATIONAL ASSOCIATION OF CREDIT MEN

- [a] Do not practice law
 - [b] Are not organized for profit
 - [c] Are owned by creditors
 - [d] Are constructive in their functions
 - [e] Operate in the public interest
 - [f] Have been here a long time
 - [g] Grew out of a definite need
 - [h] Are here to stay
-

ADJUSTMENT AND COLLECTION BUREAUS OF THE NATIONAL ASSOCIATION OF CREDIT MEN

ducing in evidence the note and indorsement of the payee thereon in blank, prima facie establishes a case.

3. The contracts of a domestic corporation which has failed to pay the statutory license Tax are not void, nor is its right to enforce them in the courts of this state to be denied, where the charter of said corporation has not been forfeited by the state.

4. The defense of the Statute of Limitations is an affirmative defense, and when the plaintiff in an action on a note has made out prima facie case, the burden is on the defendant to establish the bar of limitations.

GEORGE M. WHETSTONE et al., Appts., v. ANNA P. COSLICK et al. Florida Supreme Court (Div. B.)—November 9, 1934. (—Fla.—, 157 So. 666.)

APPEAL by complainants from a decree of the Circuit Court for Pinellas County (Bird, J.) dismissing a bill filed to impress lien of judgments upon a certain parcel of land conveyed to defendants. Reversed with directions.

1. Creditors of an unmarried woman who, after her marriage, reduce their claims to judgments against her, on which executions are issued and returned nulla bona, may maintain a creditors' bill to procure a decree adjudicating title to real estate which passed from a third party to her and her husband in exchange solely for real estate owned by her at the time of her marriage, and which was so conveyed in order to create an estate by the entirety beyond the reach of her creditors, to be held in trust for the wife's benefit and subject to the lien of the judgments.

2. A trust in land results from the payment of the purchase price by one and the taking of title in the name of another.

This is Credit Interchange Year



The Bank Act of 1935

(Cont. from page 5) only one thing can happen, frozen assets in the Federal Reserve banks, a depreciated currency and fiat money. I believe that in view of past experience, and with the various government credit agencies, banks will adhere quite generally to liquid investments. Much is said about the government competing with banks in the loaning business and the only way to destroy such competition is of course to solicit such loans. With the criticism banks have had in the past on this class of loans, they will be loath to again pioneer in this field.

Title III

Title III is perhaps a corrective measure covering defects in the hastily prepared Bank Act of 1933. It does however embody one very important change. This is with reference to the double liability on bank stock. This provision will be removed July 1, 1937. All national bank stock issued after June 16, 1933, is already free from double liability.

Summary

Thus it will be seen that the Bank Act of 1935, in its essence, is constructive. It has made the F. D. I. C. a permanent institution and provided protection up to \$5,000 for each depositor. This has re-established public confidence. It will also be observed that it has fortified itself with powerful weapons to control credit by its open market relation, control of the rediscount rate and the control of bank reserves. These, if used timely, can check inflation equally as well as stimulate inflation. Presently, I believe, a spark of inflation is evident. From time to time the government policy will be to cheapen money, to make commodity prices higher and thus make debts easier to pay. Banks as a whole are in the most sound condition in their history. They have a plethora of funds available for business expansion, but their policy will be one of caution. Extreme short term credits will be their major loaning policy, thereby running counter to the government desire.

It is impossible to eliminate all losses in business. Factors used in the analysis of financial statements will necessarily have to be scrutinized more

closely in the future and the established ratio of quick assets to quick liabilities will have to be revised upward to insure sound credit requirements.

Business is looking up. Sound economic forces are creating the stimuli. The economic law of supply and demand is making itself manifest. Artificial stimulation is unsound. It is, however, adding impetus to recovery. We can without doubt look forward to the middle of 1936 with continued business activity when political clouds will again shadow the horizon and no matter which party wins, those forces which in the face of adverse legislation moved forward, will resume their influence after the presidential election.

The slack in unemployment has not been sufficiently absorbed to eliminate social unrest. The Social Security Law, with its old age pensions will reduce the number of unemployables and help create a better feeling. As industry increases its operation, many more will be taken from the relief rolls, thereby increasing purchasing power and adding further stimulus to business recovery. With the re-establishment of a sound economic and financial condition, and with a thorough belief in the future of this country, a restoration of individual initiative is assured. With these sound fundamental requisites re-establishing themselves, it is my best judgment that the banker of the future will have faith in you and extend sound credit.

Taking his medicine

Officers with drawn swords and soldiers with fixed bayonets formed the guard of honor at a recent wedding in Paris. It turned out that such a military display was unnecessary, however, as the bridegroom chose to go quietly. —Humorist.

A certain man was suspected by his wife of receiving phone calls from other women. About nine o'clock one night the following conversation could be heard:

Husband: "Hello, Elmer?"

"Is that you, Elmer?"

"You are, Elmer?"

"Yes, I would Elmer."

"Certainly I will, Elmer."

"No Elmer; all right Elmer."

"Well, good by, Elmer."

Then he said to his suspicious wife, "That was Elmer." —Fitz-Cross.



*The taste of the fish,
not that of the angler,
determines the bait*

AND the needs of your profession, not your personal preferences, dictate the background you should have.

Today's credit executive is more than a credit checker. He needs more than a smile and a "glad-hand". His grasp of economics, business, and credit, which is the foundation of our entire modern business structure, must be complete.

Are you that man? Do you have that knowledge? If not—or if you are not sure—send for the free prospectus of the National Institute of Credit's course in credits and collections. There is no obligation—except the obligation you owe yourself to keep up with the changes in a constantly changing business world.

Bait your hook correctly, and you'll land your opportunity much more easily. Those are words to the wise.

Write today! The coupon below is for your convenience, so why not do it now?

National Institute of
Credit, 1 Park Ave.,
N. Y. Dept. 1235.

Send me details of your
NEW Credit course.

Name.....

.....

Address.....

.....

City.....

.....

State.....

**NATIONAL
INSTITUTE
OF CREDIT**

47 States

passed new laws or revised former statutes affecting commercial transactions during 1935. All of these revisions have been checked and are included with many other changes in the new

1936 Edition CREDIT MANUAL OF Commercial Laws

Previous Editions Obsolete. Business executives should not rely upon previous editions of Credit Manual. While it was as accurate as it was possible to make it last year, there have been so many changes and revisions in laws and so many new statutes passed during this year, last year's edition might be found quite misleading and even fraught with danger as a guide in such matters.

You need this book on your business desk every day. Business executives buy it every year and praise it highly as the handiest legal guide available. You need not take our word about this book. We'll send it for ten days' trial in your office. If you find the Credit Manual useful after a ten days' test, just pay our invoice for \$5 (\$4.25 to NACM members). If you find you do not need the book, just return it. Fill out the coupon and we'll put the book in your hands at once.

PUBLICATIONS DEPARTMENT,
NATIONAL ASSOCIATION OF CREDIT MEN,
One Park Avenue, New York, N. Y.

Please send me a copy of the 1936 Edition of Credit Manual of Commercial Laws. After I have looked over the book for ten days, I will either pay your invoice for \$5 (\$4.25 to NACM members) or return the Manual.

Firm Name

Address

City State

This new book will help
you every day in the
New Year.

